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ABSTRACT

Prepared at the request of the U.S. Senate Committee on Labor and Human Resources, this study analyzes present federal programs serving youth and evaluates a variety of alternative approaches, without making recommendations. After a summary of the issues involved in the youth employment problem (such as whether to emphasize training and education programs that would help youth obtain jobs in future years or to stress programs that would provide immediate employment and income; and how to achieve the desired emphasis: by continuing existing programs without change, by modifying them, or by establishing new ones), the report presents in five chapters (1) an overview of current youth education and employment problems; (2) a description of current federal youth employment and education programs; (3) an evaluation of current youth employment and education programs; (4) a description of the Carter Administration's youth proposal (Youth Act of 1980) and an evaluation of it; and (5) alternatives to the Administration's plan. Appendixes contain recent history of employment programs and eligibility criteria and population characteristics of participants in federal employment programs. (KC)

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Budget Issue Paper for Fiscal Year 1981

Youth Employment and Education: Possible Federal Approaches

July 1980

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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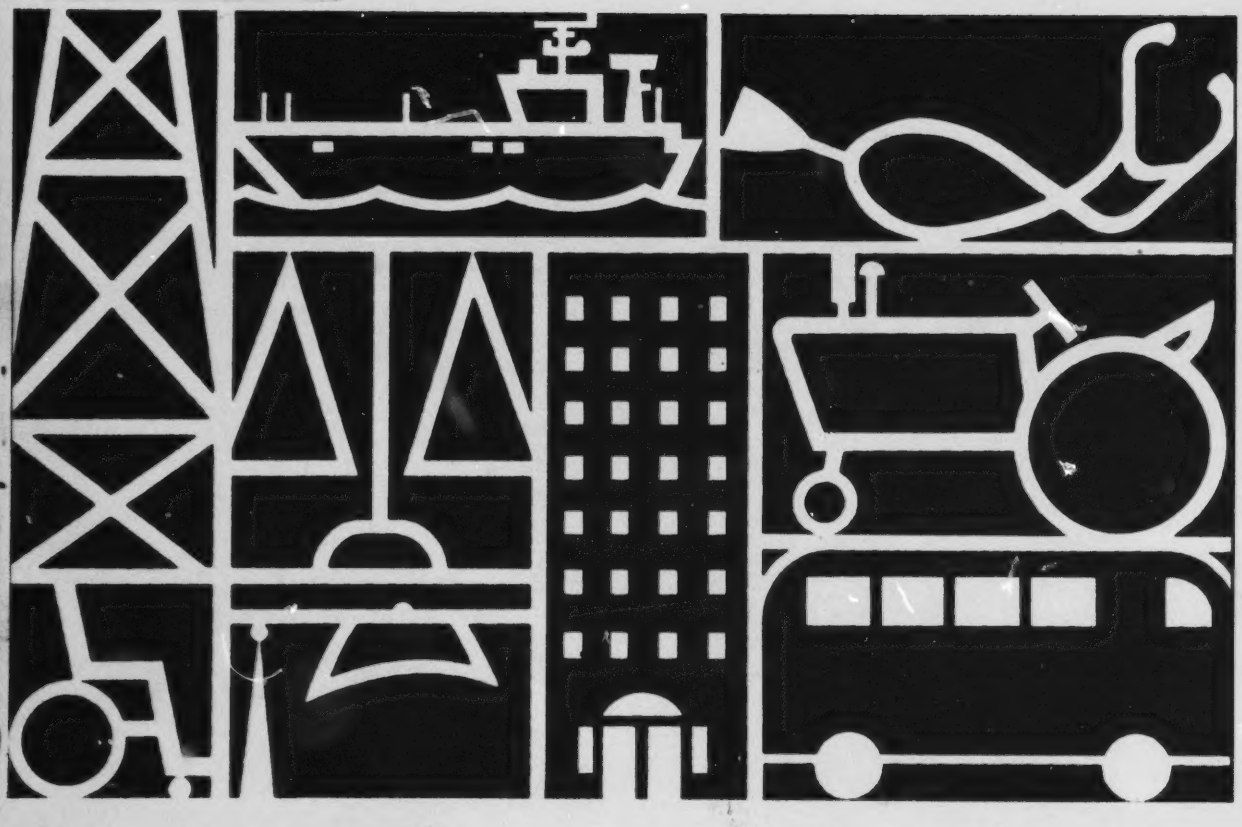

Congressional Budget Office
Congress of the United States

ERRATA
CONGRESSIONAL BUDGET OFFICE

YOUTH EMPLOYMENT AND EDUCATION: POSSIBLE FEDERAL APPROACHES

Page xii: The second line in the last paragraph should read: "about $5.6 billion."

Page 1: The last sentence in footnote 1 should read: "Information on the Comprehensive Employment and Training Act of 1973 (CETA) is generally available only for persons under 22 or between the ages of 22 and 44."

Page 29: In Table 4, footnote b should apply to the YCC estimate, and footnote c to the WIN estimate.

Page 81: The first sentence should read: "Before 1963, no federal employment program was designed to serve youth exclusively."

YOUTH EMPLOYMENT AND EDUCATION:

POSSIBLE FEDERAL APPROACHES

July 1980

The Congress of the United States

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PREFACE

The imminent expiration of current youth employment programs and the Administration's proposed Youth Initiative have focused Congressional attention on youth employment and education issues. Prepared at the request of the Senate Committee on Labor and Human Resources, this study analyzes present federal programs serving youth and evaluates a variety of alternative approaches. In accordance with the Congressional Budget Office's mandate to provide objective and impartial analysis, the paper offers no recommendations.

Youth Employment and Education, written by Janice Grassmuck and Joshua Greene of CBO's Human Resources and Community Development Division under the supervision of David S. Mundel and Nancy M. Gordon, represents a major portion of CBO's continuing work on the issues concerning youth employment and education. Many persons within CBO, including G. William Hoagland, George Iden, David Longanecker, and Maureen McLaughlin contributed by reviewing the manuscript; Scott Thompson, Fay Jan Lim, and Edward Goff provided computer assistance. In addition, many persons outside CBO provided valuable advice and information, including Erik Butler, Carol Jusenius, Robert Lerman, Patrick O'Keefe, Ernest Stromsdorfer, Bayla White, Darla White, Gregory Wurzburg, and staff members of the U.S. Department of Labor, Bureau of Labor Statistics. Johanna Zacharias edited the manuscript. The authors particularly want to acknowledge the assistance of Rosetta Swann, who typed the several drafts and prepared the paper for publication.

Alice M. Rivlin
Director

July 1980

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SUMMARY

The Congress is currently considering several important issues concerning the employment and education problems of youth. These issues fall into two general categories:

- Whether to emphasize training and education programs that would help youth to obtain jobs in future years, or to stress programs that would provide immediate employment and income; and

- How to achieve the desired emphasis--by continuing existing programs without change, by modifying them, or by establishing new ones.

Several factors contribute to the immediacy of these issues. First, on September 30, 1980 the authorization for three programs established by the Youth Employment and Demonstration Project Act (YEDPA) will expire: the Youth Employment and Training Projects (YETP), the Youth Community Conservation and Improvement Projects (YCCIP), and the Youth Incentive Entitlement Pilot Projects (YIEPP). Second, the Administration has proposed a new youth program, referred to as the Youth Initiative (S. 2385), for Congressional consideration. Third, in an economic recession, general unemployment rates rise, and youth unemployment increases even more.

YOUTH EMPLOYMENT AND EDUCATION PROBLEMS

Many youth suffer from two general employment and education problems: lack of employment and income in the present, and lack of skills, experience, and credentials needed to obtain steady remunerative work in adulthood. The first of these problems is reflected in the high unemployment rates of youth. The second problem--failure to become "employable"--is characterized by low and falling levels of educational achievement, rising numbers of high school dropouts, and employers' complaints that many young people lack the basic skills for jobs.

Although many young Americans experience educational and employment difficulties, these problems are especially prevalent

among particular groups: minority (nonwhite and Hispanic) youth, youth from low-income families, and high school dropouts. At the same time, only a small proportion of the whole youth population experiences these problems--only 2.6 million of the 35.9 million 16- to 24-year-olds were unemployed in 1978. Furthermore, more than two-thirds of measured youth unemployment in 1978 came from the 10 percent of all youth in the labor force who were unemployed for 15 weeks or longer.

CURRENT PROGRAMS TO PROMOTE YOUTH EMPLOYMENT AND EDUCATION

The federal government now operates a wide variety of employment and education programs serving youth at a considerable cost. In fiscal year 1980, total outlays for these programs will probably exceed $5.2 billion, not counting $1.6 billion in grants and an additional $1.3 billion in guaranteed loans and work/study programs to college students below the age of 23 (see table at the end of this summary).

Although present federal employment programs are fairly well focused on low-income persons, they do not effectively address the need of many low-income youth to acquire the academic skills and habits needed for employment in the private sector. Youth participants in these programs are enrolled mostly in short-term work projects that provide jobs and income but that offer only limited opportunity to develop the skills needed to become self-supporting.

Federal education programs serve mostly elementary school and college students. Those that serve secondary school students enroll students in work-skill development or remedial education. But a large portion of funds are not specifically directed to serving economically disadvantaged youth.

CONTINUATION OF EXISTING PROGRAMS

Continuation of the existing youth employment and education programs would require that federal costs rise to about 5.6 billion in fiscal year 1981. An argument in favor of continuing the present programs is that most of the evaluation material from the experimental youth employment program (YEDPA) is incomplete. In addition, reauthorization of vocational education legislation will be considered during fiscal year 1981. Consequently, both improved information and better coordination with vocational education programs would be possible in future years.

PROPOSALS FOR CHANGE: THE ADMINISTRATION'S INITIATIVE AND OTHER APPROACHES

In response to youth problems and the deficiencies in current programs, many bills have been introduced to improve federal employment and education services for youth. Proponents of new legislation argue that sufficient information is already available to warrant modifying existing programs. The Administration's proposal, which has received the most attention from the Congress thus far, would heighten the emphasis on work-skill development in current programs. One Congressional proposal, the Youth Act of 1980 (H.R. 6711), as reported by the House Committee on Education and Labor, shares many features with the Administration's initiative. These proposals are only two of a variety of approaches.

The Administration's proposal, which consists of an employment title and an education title, would expand current employment programs for youth, encourage the provision of services designed to give youth the skills needed to obtain unsubsidized jobs in adulthood, and create a new program to provide compensatory education for youth in secondary schools. When combined with funding changes proposed for the Job Corps, the Summer Youth Employment program, the Young Adult Conservation Corps, and the Youth Conservation Corps, the Youth Initiative could appreciably increase spending for targeted youth programs. The proposal would increase authorization levels by nearly $1.2 billion over the level needed (taking account of inflation) to maintain current policies in fiscal year 1981; outlays would rise by $222 million over current policy levels.

The Administration's proposal has several key features. By consolidating a number of existing youth employment programs, it would simplify administration. The proposal would also encourage federal employment programs to provide more skill-development activities and to serve older, out-of-school youth. It would direct more funds to areas with high concentrations of needy youth and create the first federal program to promote compensatory education specifically for secondary school students. Both the employment and education portions of the proposal would leave final control of service delivery with local program operators. The education component would establish a detailed administrative process for awarding funds that requires competition among schools. This process could bring about more community involvement and innovative projects, but its competitive nature might prove a disadvantage to secondary schools in need of aid but unfamiliar with compensatory education.

The Youth Act of 1980 (H.R. 6711), as reported by the House Committee on Education and Labor, would establish many of the same employment and education programs as those set forth in the Administration's proposal. It would, however, create a single authorized level and forward-fund both new programs. It would also strengthen the links between employment and education programs, by increasing the share of funds that must be used for projects funded jointly by the Comprehensive Employment and Training Act (CETA) prime sponsors and local school districts. On the other hand, this bill would dilute the concentration of funds (compared with the Administration proposal) for compensatory education programs and for employment projects in areas with high proportions of unemployed persons and low-income youth.

Other approaches fall into two categories: those that stress the need for youth to develop skills for future employment, and those that stress the immediate needs of unemployed youth for jobs and income. For either strategy, existing programs could be continued but funding shifted from the current allocations; existing programs could be modified; or new programs could be initiated.

Options That Stress Work-Skill Development

Reallocating funds among existing employment programs could increase the targeting of funds toward low-income persons and avoid the need for revising current authorizing legislation, but this approach might not improve the effectiveness of program services. Job training and remedial education, for example, have been shown to increase participants' earnings, and three current programs--YETP, Title II-B of CETA, and the Job Corps--now offer these services. Only the Job Corps, however, gives training to all enrollees and limits participation to youth. Local program operators determine the services provided to YETP and Title II-B enrollees, and neither program focuses on providing training to youth. Thus, these two programs would need modification before a transfer of funds into them would necessarily assure more skill-development activities for youth.

A substantial reallocation of education funds would also have limited effects unless the programs were modified. Reallocating funds from Vocational Education Basic Grants to Special Vocational Education Grants for the Disadvantaged would provide more services to the disadvantaged, but the improvements in employment and earnings from vocational education would probably be small. A reallocation to the existing compensatory education program, Title I of the Elementary and Secondary Education Act (ESEA), would increase

compensatory education services, but mostly for elementary school students. Thus, to ensure that secondary students were reached, this program too would need substantial redesign.

Modifying current programs to offer new activities that increase training and education services would probably improve the employability of youth, but this strategy too has potential problems. Requiring that work-experience programs for youth be combined with skill-development activities or remedial education could improve the quality of services for enrollees. Such a change would require time to implement, however, and it would probably raise direct program costs, although higher costs per participant might be necessary if participants are to become more employable. Another possibility, converting the current Summer Youth Employment program to a work/study activity, would change the character of the program and increase costs without necessarily alleviating academic achievement problems, because nine weeks may be too short a period to provide meaningful education.

Several factors might limit the immediate effectiveness of modifying education programs. An altered vocational education program could have difficulties because of the inexperience of vocational education teachers with compensatory education and because of the lack of facilities in low-income urban areas. Mandating that a certain percentage of Title I funds reach youth in high schools might be less effective than the elementary school experience suggests. School districts have argued that Title I regulations on the use of funds limit the effectiveness of this program in participating secondary schools, because school administrators believe they must serve disadvantaged students' outside the regular classroom. Since disadvantaged youth often suffer from a combination of educational and attitudinal problems, they may be less responsive in this situation than elementary students have been.

New programs, other than the Administration's initiative or H.R. 6711, could also be established to promote skill development for youth. One possibility would be to create an alternative education program that funds combined work/education projects in nonprofit organizations. This approach might be most successful at reaching young people who have already dropped out of school. Another option, providing older youth with training vouchers, would significantly expand the types of educational assistance available to them. The costs could be high, however, and provisions would be needed to guide students in choosing programs and to prevent abuse.

Options That Stress Immediate Jobs and Income

Options that provide immediate jobs are also available, but most such approaches are unlikely to yield the long-term benefit of unsubsidized employment in adulthood. Specifically, options in this category involve employment programs only, since education activities serve mainly to improve future job prospects.

Within this general strategy, funds could be reallocated, for example, from nontargeted work-experience programs, such as YACC and YCC, to programs focusing more on low-income youth--YCCIP, YETP, and CETA's Title II-B. Without modifications, however, current programs might not be able to serve older youth who are out of school and whose costs of joblessness are particularly severe compared with youth still attending school. The YCCIP program at present only serves youth aged 16 to 19 and must be modified to serve older youth. The YETP can serve youth aged 14 to 21, but much of its emphasis is on serving in-school youth. The CETA Title II-B program primarily offers training, but the program is not limited to youth. Thus, current programs would need some redesign as well as additional funds to reach older, out-of-school youth.

A new federally administered program to provide jobs on projects deemed of national interest could be targeted toward older youth, thereby providing an alternative to the current CETA program. It would take time to implement, however, and might have a higher cost per participant than current programs, depending on what activities were chosen.

Private sector involvement in youth activities could be promoted by providing more funds for on-the-job training and other activities involving private firms. This option could have more success at placing youth in private jobs, but the number of firms willing so far to offer on-the-job training appears limited. The benefits of other strategies of this kind, such as promoting cooperation between firms and schools, are even less clear. The most effective strategy involving federal grants for private sector activities might be to allow considerable local flexibility but to identify specific activities, such as on-the-job training or coordinating councils, that could qualify for assistance.

Several strategies to encourage private sector youth employment would involve lowering the cost of youth labor. Establishing a subminimum wage for youth (that is, lower than the current $3.10 per hour minimum wage) could stimulate youth employment, but it

might not help the most disadvantaged. Most research indicates that the present minimum wage does indeed cost youth jobs. Nevertheless, even at a reduced wage, employers would probably prefer to hire more obviously qualified applicants. Furthermore, a subminimum wage might displace some older workers from their jobs.

Tax subsidies for hiring disadvantaged youth, above and beyond the existing Targeted Jobs Tax Credit (TJTC), might also promote youth employment, but not much is known about their potential effectiveness. Firms that hire economically disadvantaged youth aged 18 to 24 can now qualify for a two-year TJTC subsidy, and more than 36,000 new employees have been certified under the program. There is no evidence yet about how many of these youth represent additions to the ranks of the employed rather than substitutes for other workers, however. Also, some may be workers who would have been hired anyway without the tax credit. Finally, many firms have complained that the TJTC is administratively bothersome.

One new tax subsidy to which firms might respond well is a temporary exemption of low-income youth employees from Social Security coverage. This exemption would save employers the cost of their Social Security contributions. Such a change might be especially appealing to small firms because no separate program would be involved. The loss in revenues to the Social Security trust funds could be sizable, however.

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SUMMARY TABLE. FUNDING FOR CURRENT FEDERAL EMPLOYMENT AND EDUCATION PROGRAMS SERVING YOUTH: IN MILLIONS OF DOLLARS

Program	Estimated Percent of Funds that Serve Youth	Funds for Youth from Fiscal Year 1980[a]	
		Budget Authority	Outlays
Employment			
CETA			
Title II-A,B,C	50	1,027	974
Title II-D	20	297	383
Title III	30	159	101
Title IV	100		
YCCIP		134	138
YIEPP		0	94
YETP		692	636
Summer Youth		609	720
Job Corps		416	489
Title VI	20	325	349
Title VIII (Young Adult Conservation Corps--YACC)	100	250	233
Non-CETA			
Youth Conservation Corps (YCC)	100	55	55
Work Incentive (WIN)	15	55	54
SUBTOTAL		(4,019)	(4,226)
Education			
ESEA Title I			
Local Grants	5	141	138
State Grants	30	146	143
ESEA Title VII, Bilingual	20	30	29
Vocational Education			
Basic Grants	70	405	385
Special Programs for the Disadvantaged	60	12	12
Other Grants	70	150	143
Alternative Education			
Adult Education	30	34	32
Special Programs for the Disadvantaged	100	148	142
SUBTOTAL		(1,066)	(1,023)
TOTAL		5,085	5,249

SOURCE: Congressional Budget Office.

NOTE: Fiscal year 1980 appropriations and CBO estimated outlays as of February 1980.

a. Outlays may exceed budget authority because of expenditure of the previous year's unspent budget authority.

CHAPTER I. AN OVERVIEW OF CURRENT YOUTH EDUCATION AND EMPLOYMENT PROBLEMS

For more than a decade, the federal government has been concerned with the employment and educational problems of youth.[1] Various employment and education programs have been instituted to deal with the high rate of unemployment, school dropouts, falling achievement levels, and other problems experienced by youth--particularly youth from low-income families, inner cities and poor rural areas, and ethnic and racial minority backgrounds.

None of these efforts has so far proven particularly successful. In response to this situation, the Carter Administration proposed its Youth Initiative, embodied in the Youth Act of 1980 (S. 2385), now before the Congress. This proposal would increase the resources devoted to youth programs and refocus these efforts on skill development and basic education. The House Committee on Education and Labor has reported an amended version of the Youth Act of 1980 (H.R. 6711), which retains the emphasis on skill development and basic training.

This paper analyzes the Administration's proposal and alternatives for dealing with the employment and education problems of youth. As background, this chapter reviews the main features of the problems.

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1. In this paper, the term "youth" refers mainly to persons aged 14 to 24 not in college. For certain purposes, however, other definitions (such as 16 to 24, 14 to 22, and under 22) are used because data for the entire age group are not readily available. Most employment data, for example, are only for persons aged 16 to 24 or 16 to 19 and 20 to 24. Education data are usually provided for youth aged 14 to 22. Information on the Comprehensive Employment and Training Act of 1973 (CETA) is generally available only for those persons 22 or between ages 22 and 44.

PLAN OF THE PAPER

The remainder of this paper discusses current and proposed federal programs for youth employment and education. The next chapter reviews the present array of federal efforts in both areas. Chapter III evaluates these programs according to four criteria: targeting, effectiveness, cost, and whether a given program encourages or substitutes for activities that would otherwise be funded by state or local governments or by private sources. Chapter IV summarizes and reviews the Administration's proposed Youth Initiative according to these four criteria.

Chapter V discusses two broad sets of alternatives to continuing present programs or adopting the Youth Initiative. One set focuses on alleviating future long-term employment and earnings problems, for example, through the programs included in H.R. 6711; the other emphasizes the provision of jobs and income for the short term. Each set of alternatives includes options for reallocating funds, for redesigning existing programs, and for adding new funds for specific types of activities. In addition, options for governmental policies that encourage private sector activities are examined.

THE DIMENSIONS OF THE PROBLEM

Although most Americans reach adulthood without experiencing serious employment or education problems, for a significant minority of youth, prolonged joblessness and poor educational skills are persistent problems. A selection of data illustrates this situation.

- For 17 of the last 20 years, more than 10 percent of all persons between ages 16 and 24 in the labor force have been out of work--about three times the proportion for adults 25 and older. In 1979, the unemployment rate for youth 16 to 24 was 11.7 percent, compared to 3.9 percent for adults 25 and older.

- Almost 2.6 million, or roughly 10 percent, of the youth aged 16 to 24 in the labor force during 1978 were unemployed for 15 weeks or longer. At the same time, as many as 1.5 million more youth were not looking for work but

said they wanted jobs.[2] Those youths unemployed for 15 weeks or longer represented more than two-thirds of all persons aged 16 to 24 who were unemployed.

- About 16 percent of every high school class leaves high school without graduating, and achievement levels are declining even for those who do remain in school.

Although employment and education problems affect youth of all backgrounds, joblessness and poor educational achievement affect certain groups of young persons far more than others. Low-income[3] youth have an unusually high incidence of joblessness and educational problems. In 1978, unemployment rates among economically disadvantaged young people aged 16 to 24 (youth from families with 1978 incomes below about $8,000, depending on region and family size) averaged 18 percent, 7 percentage points higher than those of more affluent youth of the same age, sex, and race. Furthermore, more than half of all high school dropouts aged 14 to 22 came from families with incomes below $10,000.

Young nonwhites also experience a disproportionately large share of youth employment and education problems. For the last two decades, unemployment rates for nonwhite youth have averaged

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2. See Robert I. Lerman, "An Analysis of Youth Employment Problems," in Vice President's Task Force on Youth Employment, A Review of Youth Employment Problems, Programs, and Policies, vol. 1, April 1980, Tables 1 and 3.

3. Low-income youth may be poor or economically disadvantaged. "Poor" are persons with family incomes below either the Social Security Administration (Orshansky) or the Office of Management and Budget (OMB) poverty standards. The category "economically disadvantaged" by law includes: persons in families receiving or eligible to receive federal cash income assistance; persons in families with incomes at or below either the poverty line established by OMB or 70 percent of the Bureau of Labor Statistics (BLS) lower living standard; foster children on whose behalf state or local government benefit payments are made; and certain physically or mentally handicapped persons. Family income is defined by the CETA regulations to exclude various sources of income including public assistance and unemployment benefits. See Comprehensive Employment and Training Act of 1973, as amended, Section 3(8), 29 U.S.C.§802(8)(1979).

1.5 to 2.5 times those of whites. Since 1970, unemployment rates for nonwhite teenagers aged 16 to 19 have exceeded 30 percent. At the same time, the percentage of employed nonwhite teenagers has fallen sharply: the figure now stands at roughly 25 percent--barely half that of white teenagers.[4] Among blacks and Hispanics, dropout rates are markedly higher than for whites. In October 1978, 24 percent of blacks and 38 percent of Hispanics aged 18 to 22 had left high school without graduating, compared with 15 percent for whites. In addition, on the most recent nationwide assessment of reading skills, the average score for black 17-year-olds was only 73 percent of the average for whites of the same age.[5]

Youth unemployment and school dropout rates are highest in the "poverty areas" of central cities.[6] A young person between ages 16 and 19 who lives in the poverty area of a central city has about twice as great a chance of being unemployed as a teenager living in a suburb.[7] Similarly, the school dropout rate of young people living in poverty areas of central cities is nearly twice that of the national average.

Youth joblessness and poor educational achievement present serious problems not only because of their immediate consequences, but also because of their long-term repercussions. One study has found that young people who are not enrolled in school and not

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4. The low percent of employed teenagers, both white and nonwhite, reflects teenagers who are in school and consequently out of the labor force, as well as discouraged youth who are no longer looking for jobs.

5. See National Assessment of Educational Progress, Reading Changes, 1970-75: Summary Volume (April 1978).

6. "Central city" refers to the central city of a Standard Metropolitan Statistical Area. Poverty areas are census tracts in which at least 20 percent of the population had incomes in 1970 below the Social Security Administration poverty standard. Poverty areas are defined according to the 1970 national census, the most recent census from which data are available. Tabulations of the 1980 census data are likely to reveal somewhat different patterns.

7. See Congressional Budget Office (CBO), Youth Unemployment: The Outlook and Some Policy Strategies (April 1978), p. 26.

employed face the worst prospects for employment and earnings in adulthood.[8] Youth who cannot find work may turn to other sources for income, such as public assistance. Furthermore, a youth with persistent joblessness has difficulty establishing a record of experience with which to obtain secure employment in adulthood. Similarly, poor academic training often confines youth to marginal, low-status, low-paying jobs, during both youth and adulthood. High school dropouts in particular appear to have much higher rates of joblessness than do their counterparts of the same age, sex, and race who hold diplomas.[9]

There are many reasons why youth tend to have high unemployment rates. These include age discrimination on the part of employers, frequent job changing by youth themselves, and minimum wage laws. Many employers contend that the minimum wage (currently $3.10 per hour) is too high a price to pay for unskilled labor or for inexperienced and often less mature workers. Minority and low-income youth suffer also from racial discrimination, from generally poorer academic achievement, and from more limited employment opportunities in neighborhoods within close range of their homes. Most of these factors are beyond the control of youth themselves. Unemployment rates among youth are especially high now, however, because of a slack economy and possibly because of the relatively large proportion of youth now in the U.S. population.

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8. Avril V. Adams and Garth L. Mangum, The Lingering Crisis of Youth Unemployment, The Upjohn Institute, 1978.

9. Whether the lack of a diploma itself explains why dropouts experience higher unemployment and lower incomes is uncertain. One study has found that there is little difference in the earnings of employed graduates and dropouts, but because dropouts experience higher unemployment rates and participate less in the labor force, dropouts have lower average earnings than do graduates. It has also been argued that, although dropping out worsens a person's employment prospects, the differences in background and ability that precede and contribute to the act of dropping out are more important in explaining why dropouts have employment difficulties. See Senate Select Committee on Equal Educational Opportunity, The Effects of Dropping Out, 99 Cong. 2 sess. (August 1972); Jerald G. Bachman, Swayzer Greene, and Ilona D. Wirtanen, Youth in Transition, Volume III: Dropping Out--Problem or Symptom, University of Michigan, Survey Research Center, 1971.

Unemployment rates for youth are highly sensitive to the level of overall economic activity. Each percentage point increase in the total male unemployment rate appears to raise the unemployment rate for youth aged 16 to 24 by 1.5 percentage points or more, depending on the group. For nonwhite youth, the figure is close to 2.5 points for every 1 point rise in the aggregate male unemployment rate.[10]

Generational crowding--that is, a bulge in the population reflecting the exceptionally large proportion of young people in the population between 1965 and 1985--also appears to have contributed to the currently high rate of youth unemployment, although this issue is somewhat controversial.[11] If the connection is valid, the expected decline in the youth population over the coming years may lower the unemployment rate for youth as a whole. At the same time, however, minority and low-income youth will make up a disproportionately large share of the youth population. For this reason, and because of a continuing decline in opportunities for unskilled jobs, as well as a recent influx of adult immigrants willing to hold low-paying jobs,[12] the employment situation for minority youth and youth with poor education and training might not improve.

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10. See CBO, Policy Options for the Teenage Unemployment Problem, (September 1976), p. 6; and Richard B. Freeman, "Why Is There a Youth Employment Problem?" National Bureau of Economic Research, Working Paper No. 365, June 1979, p. 20.

11. Some recent studies have shown that the percentage of the population aged 16 to 19 or 16 to 24 helps to explain variations in the unemployment rates for these groups of young people. See, for example, George Iden, "Business Conditions, Demography, and the Teenage Unemployment Problem" (paper presented at the annual meeting of the Southern Economic Association, November 1977). Other analysts, however, contend that generational crowding has not caused substantial youth unemployment because the percentage of all youth aged 16 to 24 with jobs has increased during the last 25 years, although the percentage of nonwhite youth aged 16 to 24 with jobs has fallen dramatically. See Richard B. Freeman and David A. Wise, NBER Summary Report: Youth Employment, National Bureau of Economic Research, 1980, pp. 6, 11-12.

12. Such as Southeast Asians and Latin Americans.

Many factors have been cited as affecting students' achievement levels and their chances of completing high school. For example, social, intellectual, and cultural forces, including racial discrimination, all influence a child's achievement. Economic status also plays a part. Students from middle- or high-income areas tend to do better in school than do students from low-income areas. Similarly, a higher proportion of children from poor families are held back in school than children from more prosperous families.[13] There are many possible reasons for these differences: variations in the financial situations--hence sometimes, the quality--of schools; the fact that higher-income families may place greater emphasis on learning skills and can better afford supplemental lessons; and that schools and teachers may be unable to meet the special needs of low-income students.

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13. U.S. Department of Commerce, Bureau of the Census, Relative Progress of Children in School: 1976 (April 1979).

CHAPTER II. CURRENT FEDERAL YOUTH EMPLOYMENT AND EDUCATION PROGRAMS

The federal government has no single agency or overall program to address employment and education problems. Instead, the government funds a wide array of separate employment and education programs that serve youth. (Some background on the programs' recent development is presented in Appendix I.) Most employment programs, which together will cost $4.2 billion in fiscal year 1980, are managed by the Department of Labor. The education programs, which will cost $1.0 billion in fiscal year 1980, are administered mostly by the Department of Education. Table 1 presents a brief description of the current employment programs serving youth. (Further details are presented in Appendix II.) The education programs are outlined in Table 2.

The $5.2 billion that will be spent for youth in the two areas does not, however, include another $1.6 billion in grants and $1.3 billion more in loans (that is, 60 percent of all federal funds for postsecondary education) available to students below age 23 enrolled in postsecondary schools. Though conservative, the $5.2 billion figure represents an increase of about $4 billion, or about $2 billion in real dollar terms, over federal expenditures for youth in fiscal year 1970.

CURRENT EMPLOYMENT PROGRAMS

Most of the $5.2 billion in federal funds that serve young people--about 80 percent--are spent through employment programs. Most of these are authorized under the Comprehensive Employment and Training Act (CETA). Some CETA programs are open to persons of all ages. Others are targeted specifically toward persons

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1. Note that, in many instances, budget authority exceeds outlays. This reflects a reserve of funds appropriated but not spent in fiscal year 1980. In other instances, outlays appear to exceed budget authority. This difference is created by the expenditure in a subsequent year of some previously authorized but unspent program funds.

TABLE 1. FEDERAL EMPLOYMENT PROGRAMS SERVING YOUTH[a]: FISCAL YEAR 1980

	Program	Funds Serving Youth (in Millions of Dollars)		Percent of Total Program Funds Serving Youth[b]
		Budget Authority	Outlays	
Comprehensive Employment and Training Act (CETA)	Title II-B and C	1,027	974	50
	Title II-D	297	383	20
	Title III	159	101	30
	National Programs	--	--	15
	Migrant Programs	--	--	40
	Native American Programs	--	--	40
	Title IV			
	Youth Community Conservation and Improvement Projects (YCCIP)	134	138	100
	Youth Incentive Entitlement Pilot Project (YIEPP)	0	94	100
	Youth Employment and Training Projects (YETP)	692	636	100
	Summer Youth Employment Program (SYEP)	609	720	100
	Job Corps	416	489	100
	Title VI	325	349	20
	Title VIII			
	Youth Adult Coservation Corps (YACC)	250	233	100[d]
Non-CETA	Youth Conservation Corps (YCC)	55	55	100
	Work Incentive (WIN)	55	54	15
	Targeted Jobs Tax Credit (TJTC)	--	--	--
	TOTAL	4,019	4,226	

SOURCE: Congressional Budget Office estimates.

a. Unless otherwise specified, youth are defined as persons aged 21 and below.

b. Estimates assume that the proportion of program funds going to youth is the same as the proportion of youth enrolled in the program.

Description of Activities Funded and Criteria for Participation
Training programs (61 percent of all participants) and work experience (33 percent) for persons of all ages. Title II-B participants must be economically disadvantaged and unemployed, underemployed, or in school.
Public service employment (93 percent of all participants) for recipients of AFDC and SSI[c] and persons who are economically disadvantaged and unemployed for 15 of 20 consecutive weeks.
Various programs to serve groups with special labor market problems, including migrant farm workers, Native Americans, "displaced" homemakers newly joining or re-entering the job market, youth, and older workers.
Work experience projects for unemployed youth aged 16 to 19 (no income restriction).
Experimental program of part-time employment in certain localities for economically disadvantaged youth who remain in or return to high school for diplomas.
Various projects, some developed cooperatively with local school districts, primarily for low-income youth aged 14 to 21. Participants are enrolled in career employmentexperience (42 percent), work experience (20 percent), training (13 percent), and transition services (24 percent).
Nine-week summer work projects for economically disadvantaged youth aged 14 to 21.
Intensive training and rehabilitation for economically disadvantaged youth aged 14 to 21, mostly in residential centers.
Public service employment (97 percent) for persons unemployed 10 of the last 12 weeks who are AFDC or SSI recipients or who have incomes below the Bureau of Labor Statistics' "lower living standard."
Provides work experience on conservation projects for youth aged 16 to 23 (no income restriction).
Summer employment on conservation projects for youth aged 15 to 18 (no income restriction).
Employment services for AFDC recipients, including skill assessment and training. Also includes tax credit for employers of WIN enrollees (50 percent of first $6,000 in wages and expenses in first year; 25 percent of same in second year).
Available to employers hiring persons in specific groups, including economically disadvantaged aged 18 to 24 and youth in cooperative education programs (50 percent of $6,000 in wages and costs the first year; 25 percent in second year).

c. Aid to Families with Dependent Children (AFDC); Supplemental Security Income (SSI).

d. Includes funds for persons aged 22 and 23. About 85 percent of total YACC expenditures serves persons under 22.

TABLE 2. FEDERAL EDUCATION PROGRAMS FOR YOUTH[a]: FISCAL YEAR 1980

Program	Funds Serving Youth (in Millions of Dollars)		Percent of Total Program Funds Serving Youth
	Budget Authority	Outlays	
Elementary and Secondary Education Act of 1965, (ESEA)Title I			
Grants to Local Agencies[b]	141	138	5
Grants to State Agencies	146	143	30
Vocational Education			
Basic Grants	405	385	70
Special Programs for the Disadvantaged	12	12	60
Other Grants	150	142	70
Bilingual Education	30	29	20
Alternative Education			
Adult Education	34	32	30
Special Programs for the Disadvantaged	148	142	100
TOTAL	1,066	1,023	

SOURCE: Congressional Budget Office estimates based on information from the U.S. Department of Education.

a. Unless otherwise stated, youth are defined as persons aged 14 to 22 not enrolled in college.

Description
Grants to local school districts for supplemental compensatory education for low-achieving students. Concentrated in elementary schools and some high schools.
Grants to state education agencies for compensatory education services for institutionalized youth, migrant children, handicapped children, and state administration and evaluation.
Distributed by states to school districts for high school vocational education, vocational schools, and community colleges. About 30 percent must be spent on disadvantaged and physically or mentally handicapped students. State matching funds are required.
Vocational education for disadvantaged students in high schools, postsecondary schools, and adult education classes. Funds are distributed by state agencies. No state matching funds are required.
Includes Bilingual Vocational Training, Programs of National Significance, Consumer and Homemaking, and administrative funds.
Bilingual education projects in elementary and secondary schools, training programs, and various supportive services. Most funds are awarded through national competition.
Distributed by states on a competitive basis to local school districts for compensatory education services for persons aged 16 and older without high school diplomas or basic educational skills.
Encourages economically disadvantaged youth to complete high school and continue their education by funding the Upward Bound, Talent Search, and Educational Opportunity Centers programs.

b. Includes basic grants as well as concentration grants.

under age 22, and the authorization for three of these programs--the YETP, YCCIP, and YIEPP--will expire on September 30, 1980, unless the Youth Employment and Demonstration Project Act of 1977 (YEDPA) is reauthorized. All CETA programs are administered locally by "prime sponsors" that operate a variety of employment and training services, most of them directed toward low-income persons.

The various employment programs offer, in addition to private sector activities, four types of services: work-experience activities; formal job creation and subsidized employment, including employment tax credits and wage subsidies; training and education services; and supportive services and job placement. Different restrictions cover different activities and program participants; the local prime sponsors determine the actual mix of activities and participants funded by most CETA programs (see Table 1).

In fiscal year 1979, about 61 percent of all youth in federal employment programs participated in work-experience activities; 21 percent in training and education activities, 14 percent in job creation and subsidized employment; and 4 percent in other activities, including various transition services (see Table 3). The largest portion of youth employment expenditures went toward work experience, the second largest to job creation, the third to training and education, and the least to various supportive services. Because federal employment programs are widely decentralized, the nature of the actual services provided under these four categories may vary over a broad range. Information at the national level is therefore somewhat vague. Nevertheless, some rough generalizations can be made.

Work-experience programs offer short-term employment in government-organized projects and activities. The short-term nature of work in these programs is reinforced by CETA regulations, which limit participants in CETA programs to no more than 1,000 hours of work-experience activities in any one year or to 2,000 hours in any five-year span. Work-experience programs are designed mainly to give participants some familiarity with holding a job, although in some cases, the jobs are only part time; in other instances, jobs are full-time but the environment may differ significantly from that of formal employment. Work-experience is funded by virtually all CETA programs, as well as by the YCC and WIN programs (see Table 1). Altogether, about $1.7 billion, or 40 percent, of all federal employment expenditures for youth were devoted to work-experience activities in fiscal year 1979. Thus,

TABLE 3. ESTIMATED ENROLLMENTS AND EXPENDITURES, IN KEY FEDERAL EMPLOYMENT PROGRAMS FOR YOUTH, BY ACTIVITY[a]: FISCAL YEAR 1979

Activity	Participants Under Age 22		Outlays for Participants Under Age 22[b]	
	Number (in Thousands)	Percent	Amount (in Millions of Dollars)	Percent
Work Experience	1,483	61.4	1,682	40.5
Job Creation and Subsidized Employment	327	13.5	1,197	28.8
Training and Education Activities	505	20.9	1,029	24.8
Other Activities	100[c]	4.1	247[d]	5.9
TOTAL	2,415	100.0	4,155	100.0

SOURCES: U.S. Department of Labor and Congressional Budget Office estimates.

a. Totals may not add because of rounding.

Figures here reflect the estimated percent of participants and outlays by activity across all employment programs. These figures were derived by CBO because Labor Department data do not indicate by activity the percent of youth participants or the percent of funds serving youth. To obtain these figures, Labor and Interior Department data for the percent of total program enrollees and total expenditures by activity were multiplied by the percent of total program enrollees under age 22. These figures were then summed over all programs for which data by activity were available: the WIN program, the YCC, and CETA Titles II-A,B,C, II-D, IV, VI, and VIII. WIN program data represent actual costs and years of service for activities. Data were not available by activity for CETA Titles III and VII.

b. Assumes that the share of outlays for youth in a given activity equals the estimated percent of youth enrollees in that activity.

c. Youth receive transition services through a number of programs. Only the 99,600 youth in the YETP program receiving solely transition services are included here.

d. Includes $219 million for transition services in the YETP Program and $28 million for miscellaneous services in all employment programs serving youth.

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this category represented the single largest youth employment activity that year.

Job creation and subsidized employment programs include both the creation and funding of jobs in government agencies and the provision of subsidies for jobs in private firms and organizations. Public sector job creation is provided through programs such as the two CETA public service employment titles--Title II-D and VI--which fund jobs in state and local governments and nonprofit organizations for low-income persons of all ages. The YIEPP program funds part-time jobs in both public and private firms and agencies for youth aged 16 to 19 who are working toward their high school diplomas or equivalency degrees. Further job creation in the private sector results from tax subsidies, such as the WIN program tax credit and the TJTC (see Table 1). About $1.2 billion, or 29 percent, of the federal funds for youth employment activities were directed toward job creation and subsidized work during fiscal year 1979.

Training and education activities encompass classroom and on-the-job vocational training, remedial education and classroom career exploration, and intensive academic and vocational training (including so-called "complete remediation" services) in special centers. Training and education services for youth are funded by a number of separate CETA programs, including Titles II-B and C, YETP, YIEPP (all YIEPP participants must attend some type of school), and certain national programs in CETA Title III. Complete remediation is provided through the Job Corps. Roughly $1 billion, or about one-quarter of all federal youth employment expenditures, were spent for training and education activities during fiscal year 1979.

Supportive and job placement services include a variety of activities designed to enable persons to participate in federal programs and, ultimately, to obtain unsubsidized employment. These activities include child care, counseling, transportation, and help in finding unsubsidized work. Although these services fall into a distinct category, they are often provided in tandem with other employment services such as classroom training. About $220 million, or 5 percent of all federal employment expenditures for youth, were spent for providing two specific types of supportive services in the YETP program--direct referrals and other transition services--during fiscal year 1979. About $30 million more went for miscellaneous services not falling within the categories described above.

CURRENT EDUCATION PROGRAMS

Federal education programs serve not only youth (here defined as persons aged 14 to 22 not in college or graduate school), but also any other students in elementary and postsecondary education. Only about $1 billion, however, or about 8 percent, of total federal education expenditures to students of all ages (about 20 percent of combined federal youth employment and education efforts), go to education programs for youth. Unlike the employment programs, most education programs fund one particular activity. Compensatory, vocational, bilingual, and alternative education are the most important of the activities funded.

Compensatory education in high schools usually consists of remedial instruction in reading, writing, and mathematics provided outside the regular classroom. This instruction is usually given by a remedial specialist, since few secondary school teachers have the appropriate training. The largest source of federal funds for compensatory education is Title I of the Elementary and Secondary Education Act (ESEA), but only $281 million--about 5 percent of all funds from this program--reach students in grades 9 to 12 (see Table 2). This sum represents about 25 percent of all federal youth education expenditures. Fifteen states and many localities now also fund compensatory education services for elementary and secondary students.

Vocational education programs in high schools attempt to improve work skills and opportunities by providing instruction in marketable skills. Vocational education is by far the largest source--about 53 percent--of federal support for youth education. About 85 percent of the federal vocational education expenditures on youth, or $460 million in fiscal year 1980, serves students in grades 9 to 12. The remainder, $80 million, will serve young people who are not enrolled in high school. These federal monies amount to only 10 percent of the support for vocational education; states and localities provide the rest. A wide range of vocational education classes is offered in schools, from woodworking and flower arranging to auto mechanics and industrial sewing. Within this wide range of curricula, there is also great variety in the quality and intensity of specific vocational classes.

Bilingual education is special instruction for students whose fluency in English is limited. It aims both to improve their English language skills and their achievement in other areas. The largest source of federal funds for bilingual education is Title VII of the ESEA, which provides grants for school district

projects, personnel training, and development of instructional materials. About 20 percent of the Title VII funds, or $30 million in fiscal year 1980, is directed toward students in grades 9 to 12. Almost half of all the states also support bilingual education.

Alternative education is instruction in subject matter not taught in the regular classroom or instruction in settings other than conventional classrooms. Alternative education programs vary considerably, ranging from classroom career education programs to combination work/study programs and programs involving only paid work with no related classroom instruction.

Both employment and education programs support alternative education activities. Federal spending through education progams (totaling about $170 million in fiscal year 1980) has been small compared to other federal education programs. Expenditures have been limited primarily to research and demonstration projects, Adult Education, and the Special Programs for the Disadvantaged. Funding for alternative education is also provided through the YIEPP and the YETP employment programs. Twenty-two percent of YETP funds (about $140 million in fiscal year 1980) must be spent on joint projects with local school districts, and some of these funds go for alternative education, although some are used only to supplement regular academic programs.

CHAPTER III. AN EVALUATION OF CURRENT YOUTH EMPLOYMENT AND EDUCATION PROGRAMS

The existing federal employment and education programs for youth can be evaluated according to four basic criteria: targeting, effectiveness, cost, and substitution.

- Targeting--Do the Programs Serve the Population with the Greatest Need? To make maximum use of federal expenditures, programs should be designed to serve those populations with the greatest needs. Targeting--that is, directing funds toward the neediest populations--is a critical measure of a program's efficiency. Because employment and education problems are heavily concentrated among certain groups of young people--for example, nonwhites, those from low-income families, and those living in urban and rural poverty areas--concentrating funds on these youths would direct resources to those most in need.

- Effectiveness--Do the Programs Accomplish their Aims? Certain activities are more effective than others in solving youth employment and education problems. Activities that can achieve short-term results, such as those that offer work experience in the public sector, may provide current income, but they may do little to improve participants' long-term work prospects. Activities that focus on long-term benefits, such as remedial education or skill training, are more likely to improve participants' future employment opportunities, but they may do little to meet participants' immediate needs for income.

- Cost--How Expensive Are the Programs? The issue of cost complicates an already difficult choice among alternative policy measures. For example, should a few persons be assisted in an expensive but highly effective program, or should many participants be assisted in a lower-cost program with more limited effects?

- Substitution--Do the Federal Programs Substitute for Activities Undertaken by State and Local Governments or the Private Sector? Federal programs that fund services already provided by other governments or by private

sources, or that would be provided were there no federal funding, may only substitute for state and local or private funds. In other words, they may not increase the overall volume of services available. Federal resources that stimulate additional activity, however, do increase the total level of services available.

TARGETING

Employment and education programs have differing targeting objectives. The employment programs are designed to serve persons with low-incomes and rely upon family income as a principal criterion for program eligibility. The education programs, on the other hand, are designed to serve low-achieving youth or youth enrolled in specific curricula. The difference in eligibility criteria between employment and education programs serving youth can impede their effectiveness. For example, young people with low academic achievement may receive compensatory education services, but if they do not fall within the CETA family-income eligibility criteria, they cannot participate in employment programs that could be appropriate or beneficial. With regard solely to the employment programs, unemployed youth with incomes that are low but higher than the mandated income thresholds cannot participate. Likewise, the current age limits in the targeted youth employment programs exclude youth older than 23, although they can be served in other CETA titles.

Employment

Although the great majority of funds for federal employment programs are directed to low-income persons, the eligibility criteria differ markedly from one program to another. With the exception of the YACC and the YCC, virtually all the employment programs are restricted to low-income persons. Specifically, CETA Titles II-B and II-D, Summer Youth, YIEPP, and Job Corps programs are limited to the economically disadvantaged, and the YETP program is restricted (except for a few experimental programs) to youth with family incomes not above 85 percent of the Bureau of Labor Statistics' (BLS) lower living standard.[1] The CETA Title VI program is limited to participants whose family incomes do not

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1. In fiscal year 1980, this corresponds to a income between $9,500 and $11,800 in the continental United States, depending on the region, for an urban family of four.

exceed the BLS lower living standard. The YCCIP program is not income targeted, but program records show that prime sponsors have enrolled a larger percentage of economically disadvantaged youth in this program than they have for the income-targeted YETP program. In fiscal year 1979, more than 86 percent of all YCCIP enrollees were economically disadvantaged, compared with 79 percent for YETP.

In addition to being well targeted on low-income populations, most federal employment programs attract a high proportion of racial minority participants and high school dropouts. During fiscal year 1979, for example, blacks and Hispanics together accounted for more than 40 percent of all participants under CETA Titles II-B,C, II-D, and VI, and half the participants in the YETP and YCCIP programs. In YCCIP, 61 percent of the participants were dropouts, in YETP 21 percent, and in CETA Titles II-B,C, II-D, and III more than one-quarter.

Education

Of all federal education funds for youth, about 60 percent are specifically directed toward youth who are educationally disadvantaged, from low-income families, or whose command of English is limited. The remaining 40 percent largely comes from the untargeted vocational education basic grants program, which will provide about $400 million dollars in 1980 budget authority for young people aged 14 to 22. About 60 percent of the students served by vocational education programs are in grades 9 through 12, and the majority of these students are white and from middle-income backgrounds.[2]

Compensatory education programs, in contrast, are generally more focused on students who either come from low-income families

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2. Of secondary students enrolled in vocational education during the 1977-1978 school year, 73 percent were white, 17 percent were black, and 8 percent were Hispanic. Although the income distribution of vocational students is lower than that of students pursuing academic curricula, it is estimated that only about 25 percent of all vocational education high school students had family incomes of less than $10,000 during the 1977-1978 school year.

or are educationally disadvantaged.[3] Compensatory education funds from Title I of the Elementary and Secondary Education Act, for example, are concentrated on school districts with high proportions of low-income children. But, because Title I relies on 1970 census data, the success of its targeting may have diminished somewhat in recent years.

Bilingual and alternative education programs are also well targeted. Federally funded ESEA Title VII bilingual education programs serve about 25,000 secondary school students, most of whom are Hispanic.[4] Alternative education programs serve several different population groups. Joint projects involving CETA prime sponsors and school districts are open basically to low-income students or low-income unemployed youth who may already have dropped out. Students who participate in Upward Bound, one of the Special Programs for the Disadvantaged, are from low-income families and have demonstrated some potential for academic achievement. Adult education programs serve low-income adults without high school diplomas, while career education programs are not targeted on any single population.

EFFECTIVENESS

The effectiveness of federal youth employment and education programs is difficult to gauge, primarily because of limitations in the information available on a national basis about the specific activities provided under each program or about the short- and long-term benefits of those activities. The data that are available suggest that current programs may not be very effective, because most participants receive services that appear to generate few long-term gains in earnings or employment: work

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3. Sixty-seven percent of the elementary students served by Title I are economically or educationally disadvantaged. No comparable information is available on secondary students. See Vincent J. Breglio and others, Students' Economic and Educational Status and Selection for Compensatory Education, Decima Research, 1978 p. 63.

4. About 80 percent of all elementary students in Title VII programs are Hispanic. See Department of Health, Education and Welfare, U.S. Office of Education, Annual Evaluation Report on Programs Administered by the U.S. Office of Education (1978), p. 170.

experience in the employment programs, and vocational education among the education services. Federal services that emphasize specific training or skill development have more promise for long-term benefit, but again, the actual effects are hard to measure.

Administrative and procedural problems can also hamper effectiveness. The multiplicity of federal programs can result in conflicting eligibility standards and a heavy administrative burden for program operators.

Current law also makes it difficult to serve youth who may need a long period of work experience to become ready for skill training or remedial education. As stated earlier, CETA regulations prohibit enrollees from receiving more than 1,000 hours of work experience in any one year or more than 2,000 hours in any five-year period.

Employment

Work experience programs are effective at providing immediate jobs and income for youth, but their capacity to improve the long-run employability of participants seems limited. Numerous studies of the work experience programs that preceded the current CETA activities showed these programs to have no effect on participants' post-program earnings or employment.[5] The absence of any positive results for young high school dropouts in the recent supported work experiment reinforce this view.[6]

Although work-experience programs by themselves may not produce significant post-program benefits, many program operators contend these programs are useful for reaching youth with serious employment problems who may not be ready to undertake specific skill training or remedial education. A well organized work

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5. For a summary of these studies, see Garth Mangum and John Walsh, Employment and Training Programs for Youth: What Works Best for Whom?, U.S. Department of Labor, Employment and Training Administration, Office of Youth Programs, May 1978, pp. 56-59.

6. See Board of Directors, Manpower Demonstration and Research Corporation, Findings and Recommendations from the National Supported Work Demonstration (1980), p. 9.

experience project can introduce unemployed youth to the social demands of holding a job. Thus, it can be useful as part of a more comprehensive effort that includes other services such as skill training and job placement. Recent field studies indicate that program operators now frequently supplement work experience projects with other services such as counseling.[7]

Subsidizing formal employment has effectively improved the post-program employment prospects of youth participants in the past. Experience with public service employment in the early 1971-1973 Public Employment Program (PEP), although it was not income targeted, revealed the earnings of male participants under age 22 averaged about 140 percent more during the year after termination than in the year before enrollment.[8] By comparison, average annual earnings for young men in the National Longitudinal Survey of Young Men and Women rose by approximately 110 percent between 1968 and 1975.[9] The 140 percent, however, represents approximately a two-year change while the 110 percent refers to a seven-year period.

No comparable studies have been conducted to measure the effectiveness of participants in the present income-targeted public service employment programs funded by CETA Titles II-D and VI. Nevertheless, some argue that subsidized employment is a valuable way of improving employment skills of youth, since the youth hired as a result of these subsidies may obtain marketable job experience and contacts.

A major drawback with subsidizing jobs as a strategy to improve employment opportunities is the difficulty of creating many jobs in firms or regular government agencies. Both public

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7. See, for example, Gregory Wurzburg, Youth and the Local Employment Agenda: An Analysis of Prime Sponsor Experience Implementing the Youth Employment and Demonstration Projects Act, National Council on Employment Policy, January 1980.

8. See Mangum and Walsh, Employment and Training Programs for Youth, pp. 63-64.

9. See National Commission on Employment Policy, Fifth Annual Report: Expanding Employment Opportunities for Disadvantaged Youth (1979), p. 49. These young men were age 18 or 19 in 1968. Data on the percent increase in earnings for female PEP participants under age 22 are not readily available.

and private employers prefer to hire older, more experienced workers for regular positions. In addition, economically disadvantaged youth often have serious educational or other handicaps that discourage employers from hiring them.

Training programs, more so than subsidized employment, are designed to improve the future employability of disadvantaged youth. These programs can provide enrollees with marketable job skills. No evaluations of the current CETA training programs have been completed, but most studies of the pre-CETA programs found that they generated income gains of $300 to $1,300 (in 1978 dollars), depending on the program and the type of participant.[10] In addition, a recent study of the Job Corps has found that significant income gains accrue to most participants who complete that program.[11]

Many specific training programs have serious problems, however. Classroom programs for skills training often lack equipment, a variety of training opportunities, and coordination of training with local employment needs. Remedial education by

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10. See, for example, Charles R. Perry and others, The Impact of Government Manpower Programs, University of Pennsylvania Press, 1975, pp. 45-46 and 149-185; Orley Ashenfelter, "Estimating the Effect of Training Programs on Earnings with Longitudinal Data," in Farrell E. Bloch, editor, Research in Labor Economics 1--Evaluating Manpower Training Programs, JAI Press, 1979, pp. 97-118; Thomas F. Cooley and others, "Earnings and Employment Dynamics of Manpower Trainees: An Exploratory Econometric Analysis," in Bloch, Research in Labor Economics, pp. 119-148; Nicholas M. Kiefer, "The Economic Benefits from Four Government Training Programs," in Bloch, Research in Labor Economics, pp. 159-186; and Kiefer, "Federally Subsidized Occupational Training and the Employment and Earnings of Male Trainees," Journal of Econometrics, vol. 8, August 1978, pp. 111-125. Only the last of these articles, which examined programs operating during 1969-1970, showed no gain from training.

11. See Charles Mallar and others, Evaluation of the Economic Impact of the Job Corps Program: First Follow-Up Report, Report No. 7, U.S. Department of Labor, Office of Youth Programs, February 1979.

itself often fails to attract many youth participants. Other strategies, such as vocational exploration programs, may be helpful for youth early in high school in concert with other training. These progams, however, do not produce measureable long-term employment benefits by themselves. On-the-job training, which has the advantage of placing youth in private jobs and giving them useful skills, is a limited approach because relatively few positions can be created at any one time. The Job Corps, which is an intensive program, suffers from a very high dropout rate--over 50 percent.[12] Furthermore, nearly all training programs have limited effects if they are not linked to good job placement activities.

Supportive services and job placement activities are probably more important components of comprehensive training and employment programs than they are useful services in themselves. Studies of counseling and supportive services have generally found that, by themselves, they produce few measurable increases in later employment or earnings. Despite these findings, most analysts believe that supportive services and job placement should be included in comprehensive employment programs. Provision of child care, for example, may be essential to attract female participants; similarly, job placement and counseling may be important in placing youth with newly improved skills in unsubsidized work.

Education

For a few students, participation in vocational education can increase the likelihood of high school completion, and for some participation can increase their hourly wage. Selected groups who have participated in vocational education also have slightly lower unemployment rates than their peers who do not. Enrollment in a vocational curriculum improves the likelihood of high school completion primarily for young white women, but it does not significantly improve the chances of high school graduation for young

12. Dropout rates for other programs are high, too, but not so high as in the Job Corps. One study of the Manpower Development Training Administration classroom training programs showed that the dropout rate for that program was 39 percent in 1973. See Mangum and Walsh, Employment and Training Programs for Youth, pp. 81 and 86-87.

men, or in general for black women.[13] Young white men who participated in trade and industrial programs tend to have slightly lower unemployment rates than their counterparts with general curriculum high school diplomas, but such participation does not appear to affect vocational graduates' hourly wage rate. Black and white females who participate in business and office training programs also have lower unemployment rates and higher wage rates than do their counterparts from general curricula.[14] It is uncertain, of course, how much of these differences result from the quality of the training provided, how much from labor market factors such as employer discrimination, and how much from other causes. Wide variety exists in the quality of vocational education classes offered to students and in the amount of time that students spend in a vocational curriculum.

No national evaluations of secondary compensatory education programs are available, primarily because so few high school students participate in these programs. Data from specific compensatory programs in some individual high schools, however, indicate that these programs can improve a student's achievement. The most effective of these programs are those in which a compensatory education teacher groups the class into smaller units, provides considerable structure for the class, and spends most of the class time working with the students.

Although there have been no large-scale evaluations of high school bilingual programs, a number of individual bilingual programs throughout the country have improved achievement and reduced

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13. See John Grasso and John Shea, Vocational Education and Training: Impact on Youth, Carnegie Council on Policy Studies in Higher Education, 1979. Results are based on a regression analysis of data from the National Longitudinal Surveys sponsored by the Department of Labor, except for unemployment rates. These results are based on persons completing 12 years of schooling.

14. There is some preliminary evidence that this advantage may disappear over time for white women. See Sandra L. Hofferth, "The Effects of High School Curriculum on the Wages and Occupations for Young Non-College Men and Women," The Urban Institute, working paper presented at the National Commission for Employment Policy's Conference on Education, Sex Equity and Occupational Stereotyping, May 1980, Washington, D.C.

absenteeism at the secondary school level. One national evaluation of elementary students participating in bilingual education programs found that, in general, the programs do not enhance students' achievement over what would be expected without participation in the program, but that bilingual education classes that group students into small working groups appear to be the most effective in improving achievment.[15]

It is difficult to reach any firm conclusions about the effectiveness of alternative education programs from the research literature available. Programs combining classroom instruction with volunteer or paid work experience appear to be effective in encouraging students to stay in school and in improving students' future employment and education opportunities. In addition, research from the YIEPP program indicates that alternative education programs are more successful than traditional schools in encouraging high school dropouts to obtain their diplomas.

COST

The costs per participant of federal youth programs range widely. Generally, education programs cost the federal government less per participant than do employment programs, primarily because of substantial state and local government expenditures for education, which do not exist for employment.

Employment

The direct costs of employment programs vary substantially, depending on the type of activities offered. The program with the greatest direct annualized cost per participant to the federal government is the Job Corps. In fiscal year 1981, the direct cost is projected by the U.S. Department of Labor to be $13,383, per full-year participant (see Table 4). Next in cost are work-experience and PSE programs. In fiscal year 1981, the direct cost of work experience for a full year is projected at $12,652 for the YACC program, $9,750 for YCC, and $9,550 for YCCIP, while PSE provided by the CETA Titles II-D and VI programs is expected to cost roughly $10,000 per full-year participant.

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15. See Malcolm N. Danoff, Gary J. Coles, and others, Evaluation of the Impact of ESEA Title VII Spanish/English Bilingual Education Program, American Institutes for Research, 1978.

TABLE 4. ESTIMATED COSTS PER PARTICIPANT FOR FEDERAL EMPLOYMENT PROGRAMS AND ACTIVITIES SERVING YOUTH: IN DOLLARS, FISCAL YEAR 1981

Program	Estimated Cost per Service Year[a]
CETA	
Title II-A,B,C	5,363
Title II-D	10,049
Title III	7,470
Title IV:	
YCCIP	9,550
YIEPP	6,592
YETP	5,307
Summer Youth	5,132
Job Corps	13,383
Title VI	10,194
YACC	12,652
NON-CETA	
YCC	9,750
WIN	176
Activity	
Pre-employment Assistance (Career Exploration)	3,287
Work Experience:	
In-School	2,951
Summer	5,087
Out-of-School	8,975
Skill Training and Remediation	8,108
Entry Level Employment (On-the-Job Training)	6,092
Complete Remediation (Job Corps)	13,383

SOURCES: U.S. Department of Labor, Manpower Development Research Corp., and the Congressional Budget Office.

a. Costs are presented on a full-year basis for ease of comparison, even though participation in many programs is generally for a shorter period.

b. Estimated cost based on fiscal year 1979 data indicating that the average enrollee served approximately 0.15 year (about 8 weeks). Estimated cost per person served is $1,500.

c. Cost per registrant averaged over all WIN services. Average costs are low because most registrants receive only registration, assessment, and "intensive manpower services" lasting about one month. Average costs for more extended services such as PSE and on-the-job training are similar to those for other federal programs offering such activities.

Classroom and on-the-job training programs, which cost less in wages and salaries to participants, are less expensive, but the least expensive targeted program on a per-enrollee basis appears to be summer work experience. In fiscal year 1981, for example, the CETA Summer Youth program is expected to cost about $880 per enrollee, or $5,132 on an annualized basis.

Although the direct costs of the various youth employment activities are of primary importance, the services or goods that participants produce also deserve consideration in evaluating alternative federal approaches. Participants in YACC and PSE perform beneficial services, such as conservation and maintenance. Moreover, according to a Labor Department study, almost 80 percent of average costs per-participant of the CETA Summer Youth program were recovered in the form of useful output during fiscal year 1979.[16]

Education

Federal education programs for youth are, on the whole, fairly inexpensive on a per participant basis. The average funding level for persons served by various federal education programs during the 1979-1980 school year is estimated to be less than $100. This low average expenditure is attributable primarily to low federal expenditure for participants in vocational education programs. The average federal funding level for all vocational education students will be approximately $40 (see Table 5).

Federal expenditures for young people enrolled in other programs are more costly, however. More than $500 will be spent on every ESEA Title I student in secondary school, while almost $1,000 and more than $1,300 will be spent, on average, to serve each student in the bilingual and Upward Bound programs, respectively.

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16. See Mathematica Policy Research, Inc., "A Study of the Value of Output of Participants in the Summer Youth Employment Program--Final Report," prepared for U.S. Department of Labor, Employment and Training Administration, Office of Youth Programs, January 1980.

TABLE 5. ESTIMATED COSTS PER PARTICIPANT FOR FEDERAL EDUCATION PROGRAMS DURING THE 1979-1980 SCHOOL YEAR

Program	Percent of Funds Directed to Youth	1980 Expenditures for Youth (in Millions of Dollars)	Estimated Number of Youth Served	Expenditure Per Participant (in Dollars)
Title I, Grants to Local Agencies	5	138	256,000	540
Vocational Education	70	540	13,500,000	40
Bilingual Education	20	29	30,000	980
Adult Education	30	32	640,000	50
Upward Bound	100	61	45,000	1,360

SOURCE: CBO estimates based on information from the Department of Education and the Department of Labor.

SUBSTITUTION AND ENCOURAGEMENT OF NONFEDERAL ACTIVITIES

Little information is available on the fiscal effects of federal expenditures for youth employment and education services. With the exception of PSE programs, substitution is not a major issue in most federal employment programs, because work experience and training activities are generally funded by only the federal government. Substitution is a concern for education programs, particularly for vocational education.

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Employment

In the past, a significant proportion of all expenditures for CETA's PSE programs went to replace activities that would otherwise have been funded by state or local governments.[17] Tighter eligibility conditions and limits on average wage rates imposed on the PSE programs (Title II-D, and VI) by the 1978 amendments to CETA may have diminished the extent of substitution.

Although substitution may be a less significant effect of other employment programs, these programs may displace some employed nonparticipants from their jobs. Tax credits, for example, may result in the substitution of low-income persons for other employees. Similarly, the funding of private sector jobs may not result in more jobs overall unless the level of economic activity improves.

Education

Some of the federal education spending for young people may not result in new additional services for students, because federal expenditures for vocational education may substitute in large part for state and local expenditures. Although federal expenditures for compensatory, bilingual, and alternative education programs in high schools appear to provide services that would otherwise not be available, they represent less than half of all federal education expenditures for youth.

Federal expenditures for vocational education may partially substitute for expenditures that states and localities would have made were there no federal funding. Although little specific

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17. Some econometrically based studies have estimated the proportion of job substitution at 60 percent or more, while a study based on actual project monitoring by field observers has placed the proportion at closer to 20 percent. See, for example, Laurie Bassi and Alan Fechter, "The Implications for Fiscal Substitution and Occupational Displacement Under an Expanded CETA Title VI," Technical Analysis Paper No. 65, U.S. Department of Labor, Office of the Assistant Secretary for Policy, Evaluation, and Research, March 1979. See also National Commission for Manpower Policy Monitoring the Public Service Program: The Second Round, Special Report No. 32, (March 1979).

empirical evidence is available on the fiscal effects of vocational education, federal expenditures for vocational education declined by 23 percent in real terms from 1972 to 1977; over the same time period, state and local expenditures increased by 36 percent in real terms. Of course, these trends may have occurred independently, and they may not hold in the future. They may, on the other hand, indicate that, with less federal money or none, state and local funding for vocational education would increase.

Economic theory also suggests that federal vocational education funds may, in fact, substitute for state and local expenditures. Matching grants that are matched by state and local governments beyond what the progam requires, such as those offered for vocational education, might operate as nonmatched lump-sum grants by providing the locality with more income to purchase goods and services. It is likely that expenditures for education increase as income increases, but not in a direct dollar-for-dollar ratio. Some empirical evidence suggests that this might be so--that for every dollar received through lump-sum grants for education, expenditures for education increase by about 50¢. The remainder may be used either for other government expenditures or to lower taxes.[18]

Federal funds for other education programs appear to represent net additions, however. Several studies have found that a high portion of ESEA Title I expenditures result in new expenditures for students.[19] Bilingual and alternative education funds are distributed primarily on a project basis; they are intended for use on special services not previously available.

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18. Ray Whitman and Robert Cline, "Fiscal Impact of Revenue Sharing in Comparison with Other Federal Aid: An Evaluation of Recent Empirical Findings", The Urban Institute, November 1978, pp. 13-17, and pp. 178-183.

19. One researcher found that, for every dollar of Title I expenditures, education expenditures in any school district increased by an average of 70¢; see Martin Feldstein, "The Effect of a Differential Add-On Grant: Title I and Local Education Spending", The Journal of Human Resources, Volume XIII, No. 4, Fall 1978, pp. 443-458.

CHAPTER IV. THE ADMINISTRATION'S PROPOSED YOUTH INITIATIVE

On January 10, 1980, the Administration proposed a major change in federal youth employment and education programs to promote the development of skills. As embodied in a Senate bill, the "Youth Act of 1980" (S. 2385), the Administration's Youth Initiative would increase funding for and make certain changes in targeted youth employment programs.[1] It would also establish a new remedial education program for youth in junior and senior high schools.

To date, the plan has been reported in modified form [2] by the House Committee on Education and Labor (H.R. 6711). It is also under consideration by the Senate Labor and Human Resources Committee. In addition, both the House and Senate have allotted funds for the proposal in the First Concurrent Resolution on the Budget for Fiscal Year 1981.

This chapter discusses the proposed Youth Initiative and evaluates it according to the four criteria discussed in Chapter III: targeting, effectiveness, cost, and substitution.

OBJECTIVES

The Administration's Youth Initiative is designed both to raise the level of federal services for youth and to reorient current policies to emphasize skill development. The proposal would increase overall funding for youth employment programs and make certain changes in the authorizing statute to encourage more

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1. In addition to its Youth Initiative, the Administration has proposed to increase budget authority for fiscal year 1981 for the Job Corps by $133 million and for the SYEP by $230 million, and to reduce budget authority for the YACC and YCC by $126 million and $15 million, respectively. CBO estimates that the combined effect of these other changes will be to increase federal funding for youth by about $222 million.

2. See Youth Act of 1980, H.R. Report 1034, 96 Cong. 2. sess. (May 16, 1980).

training activities. In addition, it would establish a new separate compensatory education program to support instruction in basic skills (reading, writing, and mathematics) for youth in junior and senior high schools with high proportions of low-income or low-achieving students. The proposal would also change the targeting of federal funds for youth programs, directing a larger share to areas with high concentrations of unemployment and low-income youth and increasing funds for employment programs that serve primarily low-income young people.

If funded at the levels requested, the proposal would increase federal expenditures for targeted youth employment and education programs in fiscal year 1982 by nearly $2 billion. It would increase federal expenditures for youth education by about $850 million in fiscal year 1982. The Youth Initiative would thus raise total federal spending for youth employment and education activities to about $7.4 billion--about 20 percent over the level needed to maintain all ongoing services for youth (see Table 6).

KEY PROVISIONS

The Youth Initiative, as introduced, consists of two separate titles, one each for employment and education activities. This separation of employment and education activities would reinforce the existing dichotomy in the federal approach. The combination of these titles in one major proposal, however, reflects the findings of many studies, including those of the Vice-President's Task Force on Youth Employment, that youth employment and education problems are closely interrelated.[3]

Employment Proposals

Title I of the Administration's Youth Initiative would increase funding for targeted youth employment programs by more than $1 billion when fully implemented. According to the Administration's estimates, this increase would fund 133,000 more service years of employment and training activities and would allow

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3. See The Vice-President's Task Force on Youth, Summary Report (May 1980); and Task Force on Education and Employment, Education for Employment: Knowledge for Action, National Academy of Education, 1979.

more than 1.1 million youth to be served--an increase of at least 450,000 over the number now served.[4] The employment title would also make eight key changes in current youth employment programs. These include consolidating programs, providing more funds for areas with severe employment problems, improving coordination with the Summer Youth Employment Program, requiring employability development plans, establishing benchmarks, establishing incentive grants, requiring evaluation of prime sponsors' performance, and establishing youth opportunity councils.

Program Consolidation. The Administration's proposal would consolidate the expiring YCCIP, YIEPP, and YETP into a single program with common eligibility criteria and administrative requirements. Under the new program, all youth aged 16 to 21 from families with incomes at or below 85 percent of the BLS lower living standard (from $9,500 to $11,800 for a family of four, although the exact amount varies by region) would be eligible to participate. Youth otherwise eligible but aged 14 and 15 could receive counseling, occupational information, and other services to assist the transition from school to work. The proposal would also allow 10 percent of each prime sponsor's funds to support projects open to youth aged 16 to 21 with incomes above the eligibility maximum.

More Funds for Areas with Severe Employment Problems. Under the Administration's proposal, 25 percent of the funds to be allocated by formula to prime sponsors would be reserved for localities with above-average levels of total unemployment or above-average proportions of youth aged 16 to 24 with family incomes at or below 70 percent of the BLS lower living standard. These areas would thus receive an increment of funds in addition to those allocated by formula to all prime sponsors.

Coordination with the Summer Youth Employment Program. The proposal would make eligibility rules for the Summer Youth program the same as those for the consolidated youth program described

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4. The number of youth served exceeds the number of service years (full years' worth of service) largely because many of the youth served are enrolled in school and receive services for only part of the week or part of the year.

above. In addition, prime sponsors would be required to make the plans they develop for their Summer Youth program activities a part of the plans they submit for approval.

Employability Development Plan and Sequence of Activities. All youth participants would be given "employability development plans" outlining what services they would receive during enrollment. In addition, prime sponsors would be required to specify a sequence of activities for enrollees, including remedial education and skill development, designed to enable participants to obtain jobs not subsidized by the federal government. No earmarked funds or sanctions are stipulated to encourage or enforce the implementation of these proposals, however.

Benchmarks and Certification of Achievement. Individual achievement records would be kept for each youth enrollee. In addition, prime sponsors would develop standards, after consultation with local groups, for four specific criteria of achievement: awareness of the obligations of work, regularity of attendance and diligence, competence in basic educational skills such as reading and arithmetic, and acquisition of specific occupational abilities.

Incentive Grants. The Administration's proposal would reserve at least 22 percent of all CETA Title IV-A funds (about $250 million in fiscal year 1981) for a new matching grant program to be used for special projects developed by prime sponsors and other designated program operators and approved by the Secretary of Labor. At least 38 percent of that sum (about $95 million in fiscal year 1981) would be used for projects developed on a cooperative basis with local education agencies. The remainder would be available to fund exemplary or innovative projects serving a variety of purposes, with the Secretary determining the share of matching funds (not to exceed 50 percent) required from recipient prime sponsors. Consequently, the proposal would eliminate the present requirement that 22 percent of each prime sponsor's direct allocation for the YETP program be spent for projects developed in conjunction with the local education agency (LEA) in the prime sponsor's jurisdiction. It would, however, provide funds for such projects for prime sponsors that wanted to

undertake them.[5]. Overall, this change could reduce the portion of CETA Title IV-A funds going to cooperatively developed programs, although the total amount of funds would probably rise because of the large increase in Title IV-A appropriations recommended.[6]

Evaluation of Prime Sponsor and Contractor Performance. The Administration's proposal would require the Secretary of Labor to develop and annually to review performance standards for prime sponsors. Prime sponsors, in turn, would be required to establish and to review each year performance standards for organizations delivering services, based on regulations to be prepared by the Secretary. Both sets of standards would have to include measurement of program results, the quality of services, and program management.

Youth Opportunity Councils. The Administration's bill would also require each prime sponsor to create a separate advisory

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5. The bill would require the Secretary of Labor to make preliminary allocations of joint project funds to prime sponsors on the basis of their formula allocations for Title IV-A programs. Final awards, however, would depend on the willingness of prime sponsors to apply for these funds. The Administration bill also makes the apportionment of funds under this provision dependent on the Secretary's projects. Thus, the Secretary might be able to reject project applications.

6. Under current law, at least 22 percent of prime sponsors' direct allocations for the YETP program must be used for joint CETA-LEA projects. Since prime sponsors' direct allocations represent 75 percent of all YETP funds, and the YETP program is required to receive 70 percent of all CETA Title IV-A appropriations, CETA-LEA projects now recieve at least 11.55 percent of all Title IV-A funds (0.22 x 0.75 x 0.70 = 0.1155). Under the Administration's proposal, at least 38 percent of the funds for incentive grants in the revised Title IV-A would be used for cooperatively developed CETA-LEA projects, with incentive grants in turn receiving at least 22 percent of all Title IV-A funds. Thus, the minimum percentage of Title IV-A funds provided for joint CETA-LEA projects would decline to 8.36 percent (0.22 x 0.38 = 0.0836), although the matching grant requirement could make the actual figure somewhat higher.

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group for youth activities called a Youth Opportunity Council. This council would make recommendations concerning the plans, programs, and the performance standards to be developed for program contractors. The council would not take the place of either the existing prime sponsor planning council and the private industry councils established by CETA Title VII. Representatives of government employment programs (including eligible youths), of private sector programs, and of educational programs would each make up one-third of the council members.

Education Proposals

Title II of the Administration's proposal would establish a formula-based grant program to provide funds to schools with students in grades 7 to 12 for programs to promote employment habits, such as punctuality and responsibility, and basic education skills. The Administration estimates that the proposed bill would serve about one million students (about 5 percent of the nation's secondary students), in 3,000 to 5,000 school districts across the country--about 18 to 30 percent of all school districts. The proposed funding formula, planning process, program requirements, and accountability measures for the program are described on the following pages.

The Funding Formula. Almost 4 percent of all money appropriated would be set aside for federal or administrative use. Two percent would be designated for federal activities (such as research and developmental activities) and for special grants to the territories and schools managed by the Bureau of Indian Affairs. About 1.5 percent would go to the states for administration, monitoring, and enforcement. Remaining funds would then be divided between basic formula grants and supplemental formula grants.

Basic formula grants would distribute about 85 percent of the appropriations to eligible counties that meet certain poverty population criteria. These would involve a minimum percentage or minimum number and percentage of children from families with incomes below the Orshansky poverty index (based on 1970 census data). Children receiving Aid to Families with Dependent Children (AFDC) with incomes above the poverty index would also be counted under this heading. One-quarter of the basic grants would be distributed by the state vocational education agency to schools in eligible school districts; the remainder would go directly to eligible school districts through the standing state education agencies. School districts within counties would receive funds

based on their proportion of low-income children, but only districts with a minimum number or proportion of such children would be eligible.

Supplemental grants would be the mechanism for distributing the remaining 12 percent of the appropriations to states to serve special populations, such as migrant and institutionalized youth, and to provide extra funds to local school districts with eligible schools that would not receive funds under the basic formula grant.

The Planning Process. The Youth Initiative would establish a complex administrative process for schools and school districts to apply for grants. A small portion of the first year's funds would be used to assist eligible schools with planning activities. Schools, in conjunction with a school site council (composed of parents, teachers, students, the CETA prime sponsor, and private industry and community representatives) would develop plans for programs to give special remedial education and employment skill development to needy youth. Local school superintendents, with the advice of school district councils on education and work, would then choose from these plans which schools were to receive grants. Winning schools would be guaranteed grants for at least three years. At least twice as many schools would receive planning funds as would receive actual grants, the number of which is limited by the requirement that each recipient school receive at least a minimum amount.

Program requirements. Few absolute or specific programmatic requirements are presented in the Administration's initiative; instead, it would rely primarily on mandating the process to be followed in developing program plans, leaving the nature of actual program services to local discretion. Schools and school districts would be encouraged to focus their activities on serving low-income and educationally disadvantaged youth. However, they would also be encouraged to develop programs that would affect whole schools and that would not result in a "tracked" or separate program. Cooperation with prime sponsors would be mandated through the two advisory councils.

Several restrictions would affect the use of funds distributed by the state vocational agency. Use of funds would be limited to developing occupational skills (such as welding, for example) for which the CETA private industry council can show a

local need. In addition, between 15 and 30 percent of the funds distributed through the vocational education system would have to be spent on CETA-eligible high school dropouts.

Accountability. The initiative would require each school that receives a project grant to develop measures of the short- and long-term effectiveness of programs funded. Possible standards could include a reduction in dropout rates, a decline in absenteeism, or an improvement in achievement test scores. Local school districts would have to approve each school's standards, monitor whether schools were meeting them, and submit annual reports to the state education agency and the Education Department assessing each school's progress.

EVALUATION OF THE ADMINISTRATION'S PROPOSAL

The Youth Initiative is designed to achieve three primary objectives: to increase the number of youth that federal programs serve, to concentrate funds more on areas with especially serious youth employment and education problems, and to heighten the emphasis on developing work skills. The success of the plan would depend both on factors within federal control, such as methods for determining allocation of funds, and on local factors such as the ability of local agencies (prime sponsors and school districts) to devise activities that develop education and employment skills. Thus, it is important to review the details of the proposal from the standpoint of targeting, probable effectiveness, cost, and impact on overall public and private spending for youth activities (that is, fiscal substitution).

Targeting

The Administration's proposal is designed to focus on low-income youth with serious employment and education problems; several provisions in the proposal would increase both the amount and concentration of funds for these young people. The so-called "equal chance" supplements in Title I of the proposal, which would reserve 25 percent of all direct allocations under CETA Title IV-A for prime sponsors in areas with above-average rates of unemployment and concentrations of low-income youth, would increase the share of funds reaching areas with disproportionately large

numbers of low-income youth.[7] The provision of funds through Title II, for remedial education to students in junior and senior high schools in counties with high concentrations of low-income youth, would also increase the percent of youth-policy funds spent on low-income youth. In addition, the provision that would fund only half of those schools submitting plans would help to concentrate resources, rather than spread them thinly.

Although a number of provisions in the Administration's proposal would improve the targeting of funds on the disadvantaged, some provisions might detract from this effort. For example, since Title II would rely on the 1970 census--at least, for the time being--and on the Orshansky poverty index, it might not allocate as much money to urban areas as it would based on more recent data. Some parties contend that, because of the rapid spread of poverty in urban areas in the past decade, the 1970 census underestimates the number of low-income children now living in cities by about 20 percent.[8] The advantage of census data, however, is that it is the only source of information at the county level on the number of poverty households. This degree of detail is important because counties are the smallest governmental units comparable to school districts for which data are available.[9] Because new data from the 1980 census will not be available for several years, 1970 census data will still be used for some time. In addition, undercounting may still be a problem, even when 1980 data are available.

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7. The Administration's proposal to decrease funding for the YACC, which enrolls mostly "non-disadvantaged" youth, and to increase funds for the Job Corps, which is limited to economically disadvantaged youth, would also increase the targeting of federal employment funds on low-income youth.

8. Testimony by the Council of the Great City Schools presented to the House Subcommittee on Elementary, Secondary, and Vocational Education, February 26, 1980.

9. Title I of the ESEA as reauthorized in 1978 (P.L. 95-561) also relies upon decennial census data for the distribution of funds through the concentration grant programs. The Basic Grants program, however, distributes a small proportion of funds to states according to the 1976 Survey of Income and Education, although county allocations are again based on decennial census information.

Another aspect of the Youth Initiative that may detract from targeting is that schools receiving funds would not be required to offer services solely to educationally disadvantaged students. Rather, schools would be encouraged to undertake programs that would serve the entire school. Although this provision has the advantage of allowing greater flexibility in the programs' design and may avoid the creation of "tracking" or segregated instruction, it could also dilute services available for the neediest students. The minimum grant provision of $25,000 for each recipient school, however, might provide sufficient funds both to permit activities for entire schools and intensive services for individual students with especially serious problems.

Effectiveness

It is difficult to gauge how effective the new proposal would be and to what extent it would improve the ability of current federal programs to promote the employability of youth. Both the education and employment titles rely on service delivery through administrative structures--the CETA system and local school districts--that permit a great deal of local control and discretion. Although these decentralized structures may make both systems resistant to federal intervention and initiatives, they do permit activities and services to be tied more closely to local needs and jobs than would a centralized system.

Because of the decentralized delivery structure, the ability of new legislation to change the pattern of services for youth depends heavily on program enforcement and on the inclination of local program administrators to implement federal policy objectives. Close monitoring of both titles might promote effective education and training services.

Many of the program changes in Title I of the initiative, and the provision of specific funds for remedial education in high schools, would improve the focus on basic academic and job skills for federal employment and education programs serving youth.

In the employment title, certain changes in the current CETA Title IV-A programs would probably improve program effectiveness. For example, consolidating YCCIP, YIEPP, and YETP would resolve the present problem of conflicting eligibility and administrative requirements. Similarly, the provisions requiring prime sponsors to submit employability development plans and to establish a

sequence of activities and performance benchmarks for enrollees seem likely to increase the chance that federally funded services could prepare youth enrollees for unsubsidized employment.

Some critics have argued, however, that introducing any such requirements--such as employability development plans, benchmarks, and performance standards for prime sponsors--might diminish the quality of services, because prime sponsors would need time to adjust to new program rules. Thus, some critics have advised against introducing new regulations, or they have recommended that additional funds be provided to enable prime sponsors to meet the requirements.[10]

The effectiveness of the employment title may also be diminished by reducing the incentives for cooperation between CETA prime sponsors and local school districts. In the past, these two bodies have not worked well together. Under current law, all CETA prime sponsors must spend at least 22 percent of their direct YETP allocations on projects developed cooperatively with LEAs. Although there have been many instances of poor collaboration, most observers believe that the required set-aside has improved CETA-LEA relations and led to better services for youth in school.

The Administration's initiative would replace this requirement with a competitive process under which prime sponsors could apply for funds reserved specifically for joint CETA-LEA projects. Prime sponsors who have good relations with their school districts may choose to apply, and they could receive more funds for cooperative projects than they do now. On the other hand, prime sponsors who do not collaborate well with local school districts may choose not to apply, and their funding for joint projects would be severely cut. Cooperation might still be enhanced, however, by the requirement in Title II that representatives from the prime sponsor must participate in each planning school site council and on the local district advisory council.

The requirement in the employment title that older youth be given "career-ladder work opportunities," which mostly involve

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10. See, for example, testimony of Gregory Wurzburg, Executive Director of the National Council on Employment Policy, before the House Committee on Education and Labor, Subcommittee on Elementary, Secondary, and Vocational Education, March 4, 1980.

on-the-job training in the private sector, could also undercut the proposal's effectiveness, because the potential number of such positions is limited. It might be more useful, instead, simply to encourage program operators to offer effective skill trianing and intensive job placement help.

The education title of the proposal is a major new initiative toward addressing the problems of youth by substantially increasing funds for secondary education in schools with high concentration of low-income students. The program would give schools and districts substantial flexibility in designing programs to meet the needs of secondary students. At the same time, it would encourage them to focus on instruction in basic academic skills with long-term benefits. The required accountability standards represent an innovation for federal education grants that could allow for more accurate measurement of program effectiveness in participating schools.

Three provisions, however, might somewhat diminish the ability of schools and school districts to provide effective services for students. First, the proposed program would require schools and school districts to establish two types of advisory councils, one at each eligible planning school and one at the district level. Although it is anticipated that this would promote community involvement and support, it could also prove to be an administrative burden that would delay implementation. Many schools and school districts have also argued that advisory councils and extensive involvement by parents, often a result of other federal requirements, are already an administrative burden and that any new councils would be excessive.

The administrative process outlined in the proposal has both strengths and weaknesses. The competitive grant process would give superintendents leverage among the schools in encouraging them to modify their programs, and it would ensure that schools take the planning process seriously. On the other hand, competition could result in some grants going to schools that are less in need of funds than others. Under the program, about twice as many schools would receive planning funds as would ultimately receive project grants. Since the schools best able to win grants would probably be those most likely to have organized and experienced administrators, supportive teachers, as well as close cooperation with parents, CETA prime sponsors, and the private sector, they may not be the schools with the greatest number of educationally disadvantaged students or the greatest need for aid. Moreover, the denial of grants to eligible schools could weaken the morale

of school personnel and could strain relations between the schools and their communities. The tradeoff is explicit: the competitive process ensures that winning schools will receive substantial funds, but only half of all the planning schools would receive program grants.

Finally, lack of information about how a secondary school remedial education program can be successful may limit the effectiveness of individual schools' efforts. No national evaluations of secondary school compensatory education are available, although there are individual projects that have somewhat improved the performance of high school students in reading and arithmetic.[11] The success of these projects has not been widely publicized, however, so increased dissemination efforts and technical assistance would be needed. Similarly, because many secondary school teachers are inexperienced with compensatory education, some form of teacher training might be essential.

Cost

The Administration's initiative would increase total budget authority for employment and education programs for youth by about $1.1 billion in fiscal year 1981 and roughly $2.0 billion in fiscal year 1982 over the amounts appropriated for fiscal year 1980. Of these amounts, about $300 million would go for employment and $900 million for education in fiscal year 1981. In 1982, about $1 billion in new budget authority would be provided for targeted youth employment programs and $1 billion for the education title. The $300 million rise in budget authority for employment programs in CETA Title IV-A would represent about a 10 percent increase (roughly $220 million) over current policy budget authority for CETA Titles IV and VIII. Federal employment outlays under the initiative would rise by only $140 over current policy levels during fiscal year 1981, because of the time needed to implement

11. Jane Stallings and others, How to Change the Process of Teaching Basic Reading Skills in Secondary Schools, SRI International (May 1979).

the new programs.[12] The 1981 education funds represent a 75 percent increase in budget authority relative to current policy levels for youth education programs, but a much smaller increase in outlays because of advance funding (see Table 6).

The Administration's initiative would serve about 3.5 million participants in both titles according to their cost assumptions. The Administration estimates that unit costs per year of service for the consolidated youth employment program would average about $5,111 in fiscal year 1981—about the same as the unit cost for the mix of services now provided in fiscal year 1980 by CETA Title II-A,B,C effort.[13] In fiscal year 1982, unit costs are expected to rise to $6,157 because of an anticipated shift in prime sponsor activities from in-school and summertime work to on-the-job training, skill training, and remediation--all of which are more expensive.[14] For the education title, the initiative would grant sums averaging $280,000 to each recipient district. If one million students were served, as the Administration proposes, the

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12. If the other budgetary changes affecting youth programs are included in the computation, the Administration's 1981 proposals would increase budget authority in fiscal year 1981 by $202 million over current policy levels and raise outlays by $108 million. Compared with current policy, the proposals include a $93 million increase in budget authority ($80 million in outlays) for the Job Corps, a $51 million increase in budget authority ($36 million in outlays) for the Summer Youth Employment program, a $146 million decrease in budget authority ($132 million in outlays) for the YACC, and an $18 million decrease in budget authority ($16 million in outlays) for YCC.

13. This $5,111 figure represents a slight decrease from current program estimates of about $5,319 per service year under the current YETP and YCCIP programs. This decrease is difficult to reconcile, however, with claims that the mix of services under the initiative would shift towards skill training and work experience for out-of-school youth, two relatively costly activities.

14. See U.S. Department of Labor, The Youth Employment and Training Program: Service Mix, Service Years, Participants and Unit Cost Estimates, Fiscal Years 1980-1982 (March 10, 1980), pp. 4, 6.

TABLE 6. EFFECT OF YOUTH INITIATIVE ON FEDERAL FUNDING FOR YOUTH EMPLOYMENT AND EDUCATION: BY FISCAL YEAR, IN MILLIONS OF DOLLARS

	1981		1982	
	Budget Authority	Outlays	Budget Authority	Outlays
Current Policy[a] Funds for Youth				
CETA Titles IV and VIII	2,417	2,298	2,622	2,567
Other Employment Programs	2,260	2,143	2,392	2,374
Education Programs	1,191	1,144	1,317	1,265
TOTAL	5,868	5,585	6,331	6,206
Youth Initiative[b]				
Employment	222	140	1,000	370
Education	900[c]	50	1,000	850
TOTAL	1,122	190	2,000	1,220
Percent Increase over Current Policy				
CETA Titles IV and VIII	10	6	38	14
All Employment Programs	5	3	20	7
Education	75	4	76	67
Total Spending For Youth	19	3	32	20

SOURCE: CBO estimates from Education and Labor Department data.

a. CBO estimates of future costs to maintain current service levels.

b. Represents increase in funding over current policy levels.

c. Includes $850 million of funds to be made available during fiscal year 1982, because of advance funding.

average expenditure per pupil would be about $850--roughly twice the amount now spent on each Title I student.

Substitution

Whether the Administration's initiative would either promote the substitution of federal funds for state, local, and private efforts, or encourage nonfederal agencies and institutions to increase spending for youth employment and education activities, is difficult to say. Most of the activities to be funded by the employment title, for example, are now provided only by the federal government. Thus, unless the added opportunities for work experience activities during fiscal year 1981 led to a decrease in state or local hiring, this portion of the initiative would not bring about any fiscal substitution. Similarly, the employment title contains little that would encourage more spending either by other levels of government or by the private sector.[15]

Without knowledge of future regulations and guidelines, it is also difficult to estimate the extent to which the education proposal would substitute for existing programs. The proposed legislation would require school districts to maintain the same level of expenditure after receiving the grant as they had before. School districts would also be required to provide the same level of resources to project schools as to nonproject schools. Although similar requirements have been fairly successful with the ESEA Title I program in insuring that school districts do not substitute federal funds for Title I funds, the Administration proposal focuses on providing services to entire schools. This feature may make it more susceptible to substitution. Current fiscal conditions (including severe strains on local budgets and taxpayers' resistance to higher taxes) might also prompt local districts to use these new federal funds to pay for services that had previously been provided by local governments, rather than for new programs.

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15. The matching grant provision of the special incentive projects section in the bill would encourage more state and local funding for youth projects. Because the matching funds may be provided from a prime sponsor's regular allocation under CETA Title IV-A, however, total expenditures might not increase.

CHAPTER V. ALTERNATIVES TO THE ADMINISTRATION'S PLAN

The Administration's proposed Youth Initiative is one of the possible ways of responding to youth employment and education problems. Many other approaches are also available to the Congress. In this chapter, three broad sets of strategies are considered:

- Continuing the current array of programs without change;
- Devising new mechanisms to improve the development of marketable job skills; and
- Focusing federal efforts on providing short-term jobs and income, making skill development a lesser priority.

Within each of these strategies, a number of more specific options are presented. Some of these choices involve the simple reallocation of funds among current programs; others would require changes in program design, possibly creating the need for additional funds. In addition, some options would involve the use of government agencies as program operators, while others would rely more heavily on the private sector.

CONTINUATION OF EXISTING PROGRAMS

Alternative federal employment and education strategies are now being considered even though complete information about existing programs is not available. It was the early recognition of this lack of substantive data for evaluating alternative strategies that led to the enactment of the Youth Employment Demonstration and Projects Act in 1977. At present, about 420 projects nationwide, funded at a federal cost of approximately $200 million a year, are designed to test the effectiveness of alternative employment and education strategies for youth.

One obvious strategy is to continue the existing programs until the substantive research on the demonstration projects has been completed. Detailed information on some of the demonstration projects will be available to the Congress in the spring of 1981.

In addition, the vocational education legislation will be considered for reauthorization during fiscal year 1981. Consequently, delay in acting on the current reform proposals would make possible both improved information and better coordination with new vocational education proposals. If federal employment and education programs were to continue providing the current levels of services, the federal cost would be about $5.6 billion in fiscal year 1981, and $6.2 billion in fiscal year 1982.

Opponents to the continuation strategy believe that growing youth unemployment, heightened by the current recession, necessitates quicker legislative action. Some observers emphasize the income-support characteristics of the current programs. Others argue that preliminary findings from a few of the YEDPA projects and studies of earlier programs justify current legislative action designed to emphasize the goal of long-term employability through participation in particular programs. At a minimum, both viewpoints support marginal changes to existing programs, especially since many of these marginal changes might not be examined explicitly using the data from the broader YEDPA projects.[1]

OPTIONS TO DEVELOP MARKETABLE JOB SKILLS

To date, a key objective of federal employment programs has been to improve the work prospects of jobless and economically disadvantaged persons. Work-skill development can enable program participants to become self-supporting and indirectly can help curb inflation if the participants fill jobs for which workers are scarce. There are tradeoffs in providing more skill development, however. Because skill development can be more difficult to mount than other activities, the number of participants might have to be limited in the short run. During a recession, however, the level of youth unemployment will rise, causing more youths to need jobs.

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1. For example, studies have already demonstrated that prime sponsors are reluctant to offer work experience without other services. See Gregory Wurzburg, "Youth and the Local Employment Agenda, Overview and Area Summaries--Final Report," National Council on Employment Policy, January 1980. In addition, some studies have already demonstrated the excessively high administrative costs of multiple youth employment programs. See The Vice President's Task Force on Youth Employment, Summary Report (May 1980).

In this section, eight specific options to promote the long-term employability of youth are presented and assessed. These options illustrate only some of the many alternatives that could be developed to encourage education and skill training.[2]

Reallocation of Funds Among Current Programs

Two proposals for reallocating funds among existing programs are considered here. One involves transferring money from work-experience programs to efforts that emphasize training and/or remedial education. The other option would involve transferring funds from Vocational Education Basic Grants to compensatory and vocational education programs targeted toward economically disadvantaged youth. There are limitations to how much could be accomplished using this approach, however.

Transferring Funds from Work-Experience to Skill Training. Shifting funds from existing work-experience programs for youth such as YACC, YCC, and YCCIP to programs such as YETP, CETA Title II-B, and the Job Corps might provide more skill-development activities. Each of these latter programs funds some skill training, and the Job Corps also provides compensatory education as well as other remedial skills.

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2. This section does not, for example, review in detail proposals designed to improve sponsor performance by providing additional grants to program operators with high placement rates. The "Youth Opportunity Incentives Act" (S. 1129) introduced by Senator Edward M. Kennedy, is one such proposal. A change of this sort would give prime sponsors additional incentives to operate programs more likely to promote employability development. Immediate placement is not necessarily a good measure to yield lasting gains in employability, however. These incentives could result in a process of selecting the better qualified of the applicants (that is, "creaming"), thereby causing very disadvantaged youth to receive less assistance. The incentives could also work to the detriment of high-unemployment areas unless adjustments were made to account for the greater difficulty of placing enrollees. Determining an appropriate way to adjust for local employment conditions would be difficult, however.

Targeting. Shifting funds in this way could improve the targeting of employment and training funds on low-income youth. None of the three work-experience programs has income criteria for eligibility; moreover, less than half of all YACC and YCC participants are economically disadvantaged, although more than 85 percent of all YCCIP enrollees in fact met that standard during fiscal year 1979. The Job Corps and YETP, in contrast, are restricted to low-income youth. CETA Title II-B, however, serves low-income persons of all ages, so that regulations might be needed to ensure that these funds are spent on youth.

Effectiveness. A simple reallocation of funds might not ensure that new training activities are provided. Both YETP and CETA Title II-B are "discretionary" programs, in that they allow local program operators to determine what services participants receive. As of fiscal year 1979, only about 13 percent of YETP enrollees and 60 percent of the enrollees in Title II-B participated in training activities. Thus, a transfer of funds to YETP and Title II-B might not necessarily result in new training activities. Transferring funds to the Job Corps, however, would bring about an increase in skill training, since Job Corps activities all include such activities as well as remediation.

Cost. If the $164 million in budget authority now planned for YACC and YCC during fiscal year 1981 and the $144 million in budget authority needed for YCCIP to continue providing the current level of services were reallocated, a significant number of positions in other programs offering training could be created, depending on the decisions of the prime sponsors. Transferring all the money to YETP, for example, could fund more than 58,100 additional positions if the present mix of services were maintained (see Table 7). This mix has resulted in an estimated unit cost for fiscal year 1981 of $5,300. Transferring the entire amount to CETA Title II-B would fund about 57,000 positions, if the current mix of services were maintained, since the estimated average unit cost is $5,400 per full-year participant. Another variation would be to transfer the funds to YETP and Title II-B but to earmark them for skill training and remediation. This approach would create about 38,000 full-year-equivalent positions, because the estimated unit cost for these activities--$8,100--is considerably higher. Even fewer positions, about 23,000, could be funded if the entire amount were transferred to the Job Corps, since its residential aspect creates an even higher unit cost of $13,400 per full-year participant. Transferring these funds, however, would eliminate about 30,800 full-year positions in YACC, YCC, and YCCIP, which would serve about 111,300 youth.

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TABLE 7. COMPARISON OF ENROLLMENTS UNDER SEVERAL REALLOCATIONS OF ALL FUNDS FROM YACC, YCCIP, AND YCC TO OTHER PROGRAMS PROVIDING YOUTH TRAINING: FISCAL YEAR 1981

Reallocations of $308 Million from YACC, YCCIP, and YCC	Number of Full-Year Positions Created	Average Cost Per Full-Year Participant (in Dollars)	Percent of Positions Involving Training
Transfer All to YETP	58,100	5,300	13[b]
Transfer All to CETA Title II-B	57,000	5,400	60[c]
Transfer All to Earmarked Training Programs in YETP or Title II-B	38,000	8,100[a]	100
Transfer All to Job Corps	23,000	13,400	100
Transfer 75 Percent to YETP and 25 Percent to Job Corps	43,600 YETP and 5,700 Job Corps	6,200	23[d]
	28,500 Training and 5,700 Job Corps	9,000	100

SOURCE: U.S. Department of Labor and Congressional Budget Office.

NOTES: Based on Administration cost estimates for current programs and activities and assumes budget authority of $124 million for YACC, $40 million for YCC, and $144 million for YCCIP. The estimated number of full-year positions created assumes full spendout of reallocated funds. The actual increase in the number of slots would be less during the first year of reallocation, because most programs do not spend their entire new budget authority during the year in which it is given.

a. Estimate used for Administration's Youth Initiative.

b. Percent occurring during fiscal year 1979.

c. Note that only about half of all enrollees are under age 22.

d. Based on percent of YETP participants receiving training during fiscal year 1979.

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A package of funding reallocations in which the entire budget authority for YACC, YCC, and YCCIP were transferred to YETP and the Job Corps (75 and 25 percent, respectively), for example, could create about 43,600 more YETP positions (28,500 more, if the funds were earmarked for skill training) and 5,700 more slots for the Job Corps.

Transferring Funds From Vocational Education Basic Grants to Compensatory Education and Vocational Education Programs for the Disadvantaged. Another way that funds could be reallocated to increase skill-development activities among low-income youth would be to transfer funds from the Vocational Education Basic Grants program to the Vocational Education Special Program for the Disadvantaged and to the ESEA Title I compensatory education program, although there are several limitations to this approach. Vocational Education Basic Grants provide matching formula-based grants to state education agencies, which then direct the funds to local school districts for vocational education programs. The Vocational Education Special Programs for the Disadvantaged also direct formula-based grants to state education agencies, but these monies are intended solely to be spent on disadvantaged persons, and no state match is required. Title I funds are nonmatched formula grants for compensatory education services in low-income school districts. The effects of three different variants of this option are estimated in Table 8.

Targeting. A reallocation of funds from Vocational Education Basic Grants to Title I, or to Title I and Special Programs together, would actually decrease the number of disadvantaged youth served if no other changes were made in the two programs. There are two reasons for this. First, more money for the Title I program would probably result in increased services primarily for elementary rather than secondary school students. Because the program now focuses on serving elementary students, whom administrators and teachers are accustomed to serving, and also because not all eligible Title I elementary students are now being served, school districts might decide to serve more eligible elementary students before expanding to secondary schools. Furthermore, as school districts face increased costs and taxpayers' resistance to increased budgets, they may seek and use new funds to maintain the services they are currently providing to elementary students, rather than to establish new services. Second, the services offered under Title I and Vocational Education Special Programs for the Disadvantaged are more expensive per participant than are the Vocational Education Basic Grants, resulting in a decrease in the number of students that can be served under a fixed budget.

TABLE 8. ESTIMATED NUMBER OF YOUTH SERVED AND AVERAGE EXPENDITURES UNDER REALLOCATIONS OF $400 MILLION FROM VOCATIONAL EDUCATION BASIC GRANTS: FISCAL YEAR 1980

Option	Number of Youth[a] Served (in Millions)	Number of Disadvantaged Youth Served[b] (in Millions)	Average Expenditure per Pupil (in Dollars)
Current Policy Under Vocational Education Basic Grants, Special Programs, and Title I	8.09	1.32	68
Reallocate $400 Million to Title I	2.59	0.63[c]	109
Reallocate $400 Million to Vocational Education Special Programs for the Disadvantaged	4.09	2.10	126
Reallocate $300 Million to Title I, $100 Million to Special Programs for the Disadvantaged	2.95[b]	1.00[c]	114

SOURCE: CBO estimates based on Education Department data.

a. Persons aged 14 to 22 not enrolled in four-year colleges.

b. Includes youth with academic, economic, or physical handicaps. By relying on 1977-1978 data (the most recent available) that indicate that 13 percent of Vocational Education Basic Grant students were disadvantaged, these figures may underestimate the number of disadvantaged youth.

c. These figures may underestimate the number of youth served, because they assume that localities will maintain current practices and direct only 5 percent of new Title I funds toward youth.

Furthermore, because 30 percent of the Vocational Education Basic Grants are reserved for expenditure on disadvantaged or handicapped students, a reduction in funding for basic grants could result in serving fewer disadvantaged students.

Effectiveness. Although a reallocation of funds to the Vocational Education Special Programs for the Disadvantaged would create services for more disadvantaged students, the effectiveness of those services is uncertain. Little information is available about the quality or type of services that states now provide for disadvantaged students. Most of the available literature evaluating vocational education programs, however, indicates that programs have not been very effective in lowering unemployment or in raising the wages of participants.

Substitution. The fiscal effects of these options are uncertain. Although a decrease in Vocational Education Basic Grants might sharply reduce the total number of students served, it might not fully eliminate the services for those students, because states and localities could increase their expenditures. Because states and localities provide less money for vocational education for disadvantaged students than for other vocational students, a reallocation of federal vocational expenditures toward programs for the disadvantaged might reduce the substitution of federal funds for state and local monies. Increased funds for compensatory education could also substitute for some expenditures that would have been made by state and local goveroments. This result is unlikely, however, because of Title I's strict regulations regarding substitution and maintenance of effort.

Options for Redesigning Existing Programs

Another way the Congress could increase the development of work-skill activities would be to redesign existing programs, with or without funding increases or reallocations. Of the many possible changes in current employment and education programs for youth, two specific proposals are explored here. One would require that full-year and summer work experience programs be offered only in conjunction with skill development and/or remedial education activities. A second option would modify Title I and the Vocational Education Basic Grants Program to increase services for disadvantaged high school students.

Coupling Work Experience with Skill Training or Remedial Education. Requiring that work experience be tied to skill development would represent a major change for most local program

operators and so might take considerable time to implement. Once in place, however, it could improve participants' long-term employment prospects.

Targeting. Combining full-year or summer work experience with skill development would not affect program targeting, although it might attract applicants from a different pool of low-income youth. Young people seeking primarily short-term employment and income might be less likely to participate; others preferring to undertake skill training or remedial education might enroll in larger numbers. The requirement could, however, force a reduction in the total number of youth participants if supplementing existing work-experience activities were to increase the cost per enrollee and if funding were not increased.

Effectiveness. Combining work experience with skill training would result in more training activities and potentially greater long-term benefits for enrollees. The effectiveness of any requirement for more comprehensive services would depend, however, both on its enforcement by the Department of Labor and the success of prime sponsors in implementing it, both of which can be problematic. Training programs are often hard to create, and the problems are particularly great in serving disadvantaged youth with poor academic backgrounds.

The effectiveness of introducing skill training or remedial education into the Summer Youth program is especially hard to gauge. Summer school programs seem to do little to enhance students' academic progress. Students who attend summer school do not show greater achievement gains than students who did not participate in summer school.[3] This may be because a nine-week program does not give enough time to improve reading or mathematical skills.

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3. See for example, RMC Research Corporation, The Effects and Cost-Effectiveness of Summer School (June 1979). Because achievement tests in this study were administered to students five weeks before the end of the Spring semester and three weeks after the beginning of school in the fall, the increase in achievement measured may have represented learning acquired during these eight weeks of school, rather than over the course of the summer. Comparisons among various groups of students should not have been greatly affected by these testing procedures, however.

Cost. The cost of mandating combined skill training or remedial education with full-year or summer work experience is as difficult to predict as the effectiveness of such an approach. Adding instructional services by themselves would tend to raise costs. If part-time employment lowered overhead expenses for work projects, however, any rise in costs would be smaller and total costs could even decline. Collaboration with local school districts could also affect costs. Use of existing school facilities might diminish costs, but hiring teachers at regular professional salaries might raise them.

Modifying Title I and Vocational Education to Increase Services to Disadvantaged Students in High School. Another policy option is to modify existing programs, such as the Title I compensatory education and the Vocational Education Basic Grants program, to increase services for disadvantaged people of high school age. For example, Title I could be modified to direct a fixed percentage of each school district's Title I allocation to secondary students. Alternatively, Vocational Education could be modified to increase the Basic Grants set-aside for disadvantaged youth and to permit states to reallocate funds now being spent for other purposes to meet the disadvantaged and handicapped set-aside matching requirement.[4] Other possibilities include increasing

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4. Under current law, the Vocational Education Basic Grants program requires that states provide an equivalent dollar amount for each dollar of federal funds received, although states are currently providing a larger match. The set-aside for services to the disadvantaged and handicapped (30 percent) must be matched before any funds can be released. In the past, states have had difficulty in meeting the disadvantaged or handicapped set-aside matching requirement because the funds must be used for the "excess costs" of serving disadvantaged students. "Excess costs" are the costs incurred for special supplementary services for disadvantaged or handicapped students over and above the average cost for all vocational students. Proposed regulations might help states meet this set-aside by allowing them to reallocate funds from their matching requirements for general Basic Vocational Grants to the required matching funds for the set-aside. This would enable them to meet the match requirement and increase total expenditures for the disadvantaged population. (See Federal Register, Vol. 45, No. 83, April 28, 1980.)

Vocational Education Special Programs for the Disadvantaged and increasing vocational education research and demonstration projects on services for the disadvantaged.

Targeting. These modifications could be fairly successful in directing services to the neediest students. The Title I program has been successful in directing most of its funds to school districts with high proportions of low-income children and in directing funds to low-achieving elementary school students.[5] The program, if modified, would probably also be successful in directing funds to disadvantaged secondary students. Similarly, modified Vocational Education programs might direct more funds to disadvantaged students. One remaining problem, however, is that neither program has been very successful to date in providing services to students who have dropped out of school.

Effectiveness. Whether this option would extend effective services to youth is uncertain. Several facets of the compensatory education program could inhibit this approach's success. First, compensatory education has been given primarily to students in elementary schools, so few secondary school teachers or administrators are experienced in providing compensatory services. Second, many schools and districts, in order to comply with what they interpret to be the Title I nonsupplantation regulations, may remove students for a limited time from their regular classrooms to give them special instruction from special teachers. Teachers and principals have argued that, because secondary school pupils may have complex problems of both achievement and attitude, more intensive, flexible, and comprehensive services are needed to reach them.

Certain features of the vocational education system, too, would pose problems. First, few vocational technical facilities exist in the urban areas where concentrations of poverty and unemployment are highest. Only about 8 percent of secondary

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5. See NIE, Title I Funds Allocation: The Current Formula (September 1977) and RMC Corporation, Study of the Sustaining Effects of Compensatory Education, Technical Report #2 (January 1978). A little more than half of the elementary students served by Title I are in the bottom quarter of the national achievement distribution.

school vocational education facilities are now situated in central cities with populations of 500,000 or more, but these cities contain 23 percent of the total population.[6]

Second, some secondary school students are too young to profit from intensive work-skill training. For them, vocational education in specific skills such as welding, plumbing, or catering is of no immediate use in securing employment. On the other hand, classes such as workshop may encourage younger students who would otherwise have dropped out to complete high school. Thus, some restructuring of vocational education programs would be needed to make a significant improvement in participants' work skills.

Third, an effective way to teach basic academic skills is to merge them with instruction in work skills; but few vocational education instructors are qualified to teach such academic materials. Thus, supplementary vocational education alone would not be enough to assure additional instruction in basic academic skills. To provide these essential services, extensive retraining would be required for vocational education personnel, or new teachers with both vocational and academic expertise would have to be hired.

Cost. In addition to current expenditures, $1.5 billion would be needed to serve an additional 2.6 million secondary students through the Title I program. This amount would extend services to roughly the same percent of students in grades 7 through 12 as are now served in kindergarten through grade 6, at the same average per-pupil expenditure. Effective compensatory education services for high school students, however, might require a larger average per-pupil expenditure than for elementary students to finance teacher training as well as more expensive services.

About $120 million (or 21 percent of the Vocational Education Basic Grant program) would be required in set-asides to offer

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6. Institutional Development Associates, Inc., National Study of Vocational Education Systems and Facilities, volume I: Technical Report (October 1978). This figure includes comprehensive high schools, vocational high schools, area vocational centers, area vocational schools, technical institutes, and community colleges.

federal grants to an additional one million economically disadvantaged students during the 1980-1981 school year. This sum would make it possible to give grants at about the same level, on average, as those now provided through the set-aside for disadvantaged and handicapped students, but would decrease the funds available for students who are not disadvantaged. It is uncertain, of course, whether states would change their expenditure patterns to meet this set-aside and establish services for more disadvantaged students. An additional investment of about $300 million would provide for some personnel training and for the construction of facilities in areas now lacking them.[7]

Substitution. The effects of state and local spending patterns caused by modifying current programs are difficult to predict. At present, Title I funds are used mostly for new services that would otherwise not be available. If the program were modified to provide new services for secondary students, and if the fiscal guidelines were not changed, very little substitution would probably occur. If, on the other hand, regulations were changed to permit greater program flexibility, there might be more fiscal substitution.

Modifications to the Vocational Education program might stimulate new state and local expenditures on services for the disadvantaged by requiring that state and localities meet the set-aside requirements. No overall increase in state and local spending for vocational education might be generated, however, unless states and localities decided to maintain their current level of vocational services for other students and, at the same time, to meet the newly required match for the disadvantaged set-aside.

Options for New Programs and Activities

The Congress could promote work-skill development by authorizing new funds for new programs. Such additions could take many forms. In this section, four proposals are considered:

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7. This amount would provide for retraining costs for 20,000 teachers, 10 new facilities in urban areas, and five new facilities in unserved rural areas. It is uncertain whether this level of services would completely meet the needs of one million students.

- o A House bill (H.R. 6711), which would consolidate existing youth employment programs and establish a secondary school program to improve basic academic skills;

- o Establishing vouchers for older youth to attend approved schools and receive either instruction leading to a high school equivalency degree or more advanced work-skill training;

- o Supporting alternative and innovative education programs for youth of high school age; and

- o Creating new funds for on-the-job training and other private sector activities.

The Youth Act of 1980 (H.R. 6711). An amended version of the Administration's Youth Initiative, H.R. 6711, reported by the House Education and Labor Committee, is designed to increase skill training and compensatory education services for youth. Although extending current programs for one year, it would then consolidate the YETP and YCCIP programs in CETA Title IV-A and would establish a separate program to fund secondary school education programs for youth in counties with high concentrations of low-income students. Prime sponsors and local school districts would continue to have ultimate responsibility for program design and implementation.

The bill differs from the Administration's Youth Initiative in several ways, however. First, a new set-aside from the education programs would be required for joint prime sponsor/school district projects. At the same time, the bill would continue the current 22 percent set-aside from the employment programs for joint projects and allow the set-asides to increase over time. The bill would also place both the employment and education programs on the same budgetary and expenditure cycle. In particular, the employment program would become forward-funded.[8]

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8. At present, and under the Administration's proposal, employment and education programs operate on two different expenditure cycles. Employment programs are current-funded, which means that the funds are made available during the year of appropriation; education programs are advance- or forward-funded, which means that availability is delayed for about one year after the appropriation to permit planning.

Second, unlike the Administration's proposal, H.R. 6711 would expand the current youth entitlement program. Twenty percent of all CETA Title IV-A funds would be reserved for entitlement projects, with local prime sponsors free to apply for funds on a competitive basis, as at present.

Third, the House bill does not include "equal chance" supplementary funding from the employment programs (discussed in Chapter IV). Instead, it would distribute all the funds according to the same formulas as in the Administration's proposal. Furthermore, any additional appropriations (above current levels for youth employment programs) would be divided equally between the employment and education programs. H.R. 6711 would also increase (from 10 to 20 percent) the share of funds available to be spent on youth who do not meet the income criteria of current programs but who have special complicating problems, such as criminal records.

Fourth, the House bill would reduce the amount of the minimum grant and increase the set-asides for vocational education to a minimum, rather than a maximum, of 25 percent of each school district's funds.

Targeting. H.R. 6711 would be somewhat less targeted toward low-income youth than the Administration's bill. Omission of equal chance supplements would eliminate the extra funds in the Administration proposal for areas with high unemployment and large concentrations of low-income youth. Central cities and declining rural areas would probably receive fewer funds as a result. Allowing more funds to serve youth above the income ceiling but with special employment handicaps would also dilute the concentration of funds on low-income youth, although it could increase services for some youth who are now ineligible.

In the education title, the provision establishing a floor, rather than a ceiling, on funds for vocational education could reduce the amount of funds available for compensatory education--one of the major ways to provide disadvantaged youth with basic academic and job skills. The reduction in the minimum grant per school, and the absence of limits on the number of schools to be served, would also allow education funds to be spread more thinly.

Effectiveness. Like the Administration's proposal, H.R. 6711 would improve program effectiveness by consolidating the expiring YEDPA programs and by improving coordination between this program and the Summer Youth Employment program. H.R. 6711 may further promote effectiveness through forward-funding of the employment

program. This provision would allow prime sponsors to know their federal allocations a year in advance and thus to develop their own projects, as well as joint projects with school districts, more easily.

On the other hand, the education title of H.R. 6711 would allow more schools to qualify for assistance with each one receiving a smaller amount of funding. This dilution of funding would limit the activities that any individual school could offer its disadvantaged students. In addition, the absence of any requirement in H.R. 6711 for developing contractor and prime sponsor performance standards may impair the quality of services, although the potential administrative costs of developing such standards would be avoided.

Requiring that at least 22 percent of all education title funds be used for joint prime sponsor/school district projects, in addition to the set-aside for vocational education, would reduce funding for compensatory education. Support for compensatory education would be further reduced by the "hold harmless" provision for current youth employment programs, even though compensatory education programs may be the most effective way for disadvantaged youth to acquire basic academic skills.

Cost. H.R. 6711 would be likely to cost about the same as the Administration's proposal. The statute merely determines the allocation of funds; ultimate funding depends on Congressional appropriations. Authorization levels would average $3.1 to $3.7 billion each year from fiscal year 1981 through 1984; CBO estimates the corresponding outlays would be about $800 million in fiscal year 1981 and would increase to about $3.3 billion by fiscal year 1984.

Substitution. H.R. 6711's employment title would be unlikely to change state and local expenditures because these activities are generally provided only by the federal government. The requirement for more vocational education spending could lead to reduced state and local expenditures, since evidence suggests that there is some fiscal substitution in this area.

Training and Education Vouchers for Older Low-Income Youth. One way that the Congress could expand work-skill development activities would be to offer vouchers to older youth to cover the cost of skill training and basic education courses at community colleges or other approved institutions. This plan is somewhat

like part of the Youth Education and Work Act (H.R. 6208) introduced in the House by Representative James Jeffords. This part of the Jeffords bill would provide a "completion bonus" of about $1,000 redeemable by an employer, school, or training institution for certain low-income youth who graduate from high school or earn high school equivalency degree.

Targeting. Under such a proposal, the federal government would pay tuition costs, and possibly a living stipend, for youths attending a community college or other proprietary institution. The proposal would provide low-income youth with much broader opportunities for skill training than are available at present, since current programs are limited to skill-training programs offered through CETA prime sponsors and to a small amount of federal assistance for college and graduate school education that goes to students in community colleges.

Effectiveness. Certain specific provisions would enhance the effectiveness of this option. Preventing schools from increasing tuitions for voucher students would ensure that vouchers not substitute for other school revenues. Giving living stipends comparable to CETA wages would enable the program to attract students otherwise disinclined to apply, although this option would add to program costs.

Although training vouchers have promise as an employment and training strategy, they also have some potential disadvantages. Recipients might need help in choosing among different institutions and in evaluating the potential benefits of various training programs. Some training institutions are excellent, others are not; it would therefore be important for applicants to receive some counseling. Determining what institutions would qualify for stipends could also be a problematic task involving not only administrative costs but also possibilities for abuse. Providing training vouchers to low-income youth could also pave the way for a much larger, more expensive program--an unattractive prospect in a period of budgetary restraint.[9]

Cost. Although the tuition costs of community colleges and private training institutes are fairly low compared with those of public service employment, program costs per person would rise sharply if stipends were also offered. Supporting full-year

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9. See CBO, Federal Student Assistance: Issues and Options (March 1980).

tuition might cost as much as $2,000 to $3,000 per enrollee--somewhat less than the cost of a service year under YETP even after allowing for administrative overhead. Including stipends could add another $3,000 to $5,000 to this amount. On the other hand, net costs for certain enrollees, such as AFDC recipients, could be lower because other programs (including WIN and unemployment insurance) might already be providing training support or living stipends.

Alternative and Innovative Education Programs for Youth of High School Age. The federal goverment could promote the employability of young people by supporting alternative education activities that teach basic academic skills, such as reading and mathematics, training in job skills, and exposure to the workplace. These services could be provided by organizations other than the local school district, including nonprofit community-based organizations, community colleges, and CETA prime sponsors. Proponents of this option contend that these alternative institutions might be more successful than regular public schools in training disadvantaged youth.

Alternative education programs could be supported in many ways. Under a competitive grant program, for example, program operators would submit applications directly to the federal government for approval and funding.[10] Under a formula-based grant program, a specific portion of funds would be guaranteed to every eligible governmental unit, either for its own use or for distribution to subcontractors. Under this last approach, school districts or prime sponsors would then determine how funds would be allocated among projects, activities, and organizations, either by a competitive process or a formula made up of such criteria as the proportion of low-income children to be served.

Targeting. Either a competitive or a formula-based grant program could be successful at directing funds to needy young people, but each approach would present certain problems. With a

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10. Two bills, S. 2286, introduced by Senator Richard Schweiker, and H.R. 6897, introduced by Rep. Shirley Chisholm, propose this administrative format. Under S. 2286, prime sponsors would submit applications on behalf of local school districts and community-based organizations within its jurisdiction, to the Secretary of Labor. Under H.R. 6897, any nonprofit organization could submit a grant application to the Secretary of Education.

competitive grant program, targeting would depend on the choice of program sites. Because competitive grants are often subject to external influence, the efficiency of the targeting would be difficult to ensure. Further, localities most in need of the aid might not apply. Competitive funding does, however, give the federal government control over who receives the funding and, because each grant application must be reviewed, limits the number of recipients. Formula-based grants, on the other hand, do not permit detailed federal oversight. Except for the drafting of the formula, however, such grants are usually more sheltered from external pressure.

Effectiveness. The types of activities now provided under alternative education programs vary greatly, and some are more effective than others. Some offer such activities as arts and crafts classes, and these yield little long-term employment benefit. Other programs provide activities more likely to result in long-term gains for students.[11] Successful programs tend to attract a great deal of community support and extensive cooperation between all parties involved, including school districts, private industry, and prime sponsors. In general, programs that combine a variety of activities--classes in basic academic skills, work skills, and work experience--appear to be the most effective in improving achievement and in encouraging students to stay in school.

Cost. The cost of alternative programs varies widely. Those that consist primarily of work experience or observation, such as Experience Based Career Education, tend to have low costs per participant. Programs involving intensive job-skill training, such as in the building trades, tend to cost far more. Serving 500,000 students in intensive alternative education programs during the 1980-1981 school year could cost about $1.1 billion.[12]

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11. For example, the Experience Based Career Education program and CETA-LEA joint programs in Portland, Oregon, Oakland, California, and Baltimore, Maryland have been successful in promoting participants' basic educational skills, job skills, and exposure to work.

12. The average cost per pupil of an alternative education program is estimated to be about 1.5 times that of a regular educational program. This estimate is based on an informal CBO survey of a number of school districts. Possible factors that might increase the cost of alternative education programs include a reduced student-teacher ratio and higher costs for supplies and supportive services.

This estimate rests on the assumption that half of all participants are dropouts or students served by community-based organizations for whom there would be no state or local support. The remaining students are assumed to be public school pupils receiving support from other state and local funds.

Substitution. The fiscal effects of a new alternative education program would depend, to a great extent, on the design of the program. Competitive grants for alternative education appear not to substitute very much for state and local funds, but neither are they very successful in stimulating state and local spending. Moreover, alternative and innovative federal projects are rarely incorporated into the existing administrative or fiscal structure of the school district, and once the federal funds disappear, so does the program.[13] Formula grants, on the other hand, may substitute for state and local funds to some degree, although the amount of substitution can be controlled to some degree by program regulations.

Alternative education grants would result in new supplementary services for students, because many states and localities provide no or only limited alternative services for youth of high school age. A formula involving matching funds or discretionary grants would, of course, better stimulate state and local expenditures than would nonmatching grants. Either approach might also encourage program operators to incorporate the program into their administrative structure.

The disadvantage with a matching program is that low-income areas and poorly funded agencies would have to carry the burden of matching. This might pose a particular problem for independent nonprofit organizations operating outside established institutions such as school districts.

Increased funding for on-the-job training and other private sector activities. A new program to fund private sector activities for economically disadvantaged youth would also promote work-skill development. This option would probably require new legislation, since the targeted youth employment programs that now

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13. See Rand Corporation, Federal Programs Supporting Educational Change, Vol. VIII: Implementing and Sustaining Federal Innovations (May 1978).

exist do not allow federal funds to pay for employment (other than the subsidized jobs funded by the YIEPP program) in private, profit-making firms.

A new private sector program could fund on-the-job training, vocational exploration projects involving firms, and private organizations designed to promote collaboration among existing program operators. In addition, if participating youth worked full time, a private sector program might be used to test the effectiveness of direct wage subsidies in encouraging private employers to hire youth.

Targeting. Such a program would probably be less successful than other options at reaching the most disadvantaged youth. Private sector programs require the cooperation of private firms, and most firms prefer to hire the most able workers rather than youth with employment or education handicaps. A private sector program might thus work best for high school graduates or for youth with some training and/or job experience.

Effectiveness. The effectiveness of private sector programs is difficult to gauge because of limited experience and information. Some appear to produce significant employment gains for their participants.[14] Reliable evaluations, however, have not been performed. Nevertheless, many observers believe that programs organized by the private sector are more likely to provide marketable skills and experience than do more traditional government-funded programs. This may explain the current popularity of the Private Sector Initiative Program (PSIP) established in 1978 through CETA Title VII.

Cost. The net cost of a private sector program, like its effectiveness, would depend on the types of services offered. An additional $100 million in expenditures, for example, could fund about 16,400 on-the-job training positions at approximately $6,100 per full-year enrollee during fiscal year 1981 (see Table 4). With $10 million, the Congress could also provide basic funding for between 200 and 300 work education councils that could then obtain supplementary funds from other sources. Direct expenditures for programs involving collaboration between firms and schools might not be necessary, since many firms appear to prefer to finance these projects themselves. A supplementary tax deduction or credit, however, might encourage more such activities.

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14. The Alcoa Corporation, for example, has adopted several schools in Oakland, California with good results.

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OPTIONS FOR PROVIDING IMMEDIATE EMPLOYMENT AND INCOME

Any approach that would immediately yield paying jobs for youth, although not necessarily long-term gains, could be particularly attractive as a short-run measure against the rising youth unemployment rates of a recession. Furthermore, participants in such activities could provide valuable community services. Of the many options for providing low-income youth with jobs and income, four specific proposals are analyzed here:

- Reallocating federal funds from work-experience programs not well targeted on low-income youth to those that are well targeted;
- Establishing a new, separate federal jobs program for older youth aged 20 to 24;
- Creating a subminimum wage for youth, which would affect the private sector primarily; and
- Providing additional tax subsidies for private sector employers hiring low-income youth.

Reallocation of Funds Among Existing Programs: Transferring Funds to Well Targeted Work-Experience Programs

An example of this strategy would be reallocate funds now used by the YACC and YCC programs--neither of which serves a majority of economically disadvantaged youth--to programs such as YCCIP, YETP, or CETA Title II-B. This would increase the number of low-income youth served, although more for teenagers than for older youth, who are more likely to suffer heavy financial losses by being unemployed.

At present, each of the more targeted programs serves low-income persons primarily, and all are open to teenagers. Each has weaknesses, though, as a mechanism for creating large numbers of jobs for older low-income youth. The YCCIP, which by definition funds only work-experience projects, cannot serve persons older than 19. It therefore could not help older youth unless its eligibility requirements were changed. The YETP can serve youth up to age 21, but it permits a broad range of employment and training activities with the mix determined locally. Thus, earmarking of program funds would be needed to assure that these

older youth were given jobs. The CETA Title II-B program does not have age restriction; it could reach older low-income youth. Since Title II-B funds many kinds of employment and training activities for persons of all ages, earmarking would again be needed.

If the $164 million in budget authority now allocated for YACC and YCC were transferred either to YCCIP, YETP, or Title II-B, the number of full-year equivalent positions for low-income persons would rise substantially. Transferring the funds to YCCIP, for example, would provide about 17,200 more full-years' worth of services in that program for youth aged 16 to 19, but the net increase would be only about 9,300 years worth of work experience for economically disadvantaged youth.[15] Shifting the funds to YETP would create about 30,900 additional years worth of services in that program, given the current mix of YETP activities, or a net increase of about 18,800 service years of activities for economically disadvantaged young persons.[16] Earmarking the transferred funds for out-of-school work experience would create about 18,300 more full-years' worth of work experience activities in YETP, or a net increase of 10,300 years of service for economically disadvantaged youth. Finally, transferring all YACC and YCC funds to Title II-B would fund about 30,600 more full-year positions in that program, yielding a net increase of 25,000 service years of activities for economically disadvantaged youth.

A New Employment Program Specifically for Older Youth

A second option for creating new jobs for disadvantaged, out-of-school youth would be to establish a new program offering longer-term work experience for young adults aged 20 to 24. Such a program could be run either within or outside the CETA system. The Youth Employment Act (S. 2021), introduced by Senator Howard Metzenbaum, is one such proposal. This plan would establish a new federal agency to fund two-year energy-related projects employing youth.

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15. This calculation deducts the approximately 5,600 service years of activities now provided to economically disadvantaged young people under YACC and YCC, and recognizes that almost 15 percent of all YCCIP enrollees are not disadvantaged.

16. This calculation assumes that 79 percent of YETP enrollees would be economically disadvantaged, the same level as in fiscal year 1979.

Creating a new program to fund work projects for youth not in school would facilitate targeting funds toward older participants. By establishing age limits and other parameters, the new program could be designed to reach specific groups.

Such a new program could create large numbers of jobs, but it would take some time to get under way. Initially, it might not be so effective in creating jobs as an addition of funds to an existing program such as YETP or YCCIP. In localities where the CETA system has administrative or other problems, however, a new program might be a useful solution.

A new federal program to create jobs for older youth is likely to cost as much as existing work-experience programs or more. A program focusing mostly on construction and maintenance activities, for example, would probably cost about the same as YCCIP. Programs focusing on more capital-intensive projects have higher direct costs. Energy-related projects such as upgrading dams could cost from $25,000 to $53,000 per full-year youth worker, for example.

Options Concentrating on the Private Sector

Several policy options could promote youth employment in the private sector by lowering the cost of hiring young workers.

Establishing a Subminimum Wage. One option oriented toward the private sector to increase the number of jobs for youth would be to set a subminimum wage standard for youth. By overcoming the reluctance some firms now express about hiring inexperienced young people at the current minimum wage, this alternative might create new jobs for low-skilled youth.

Variants of this proposal have been introduced by several legislators in the present Congress. One such plan is embodied in the Youth Opportunity Wage Act of 1979 (S. 1025), introduced by Senator Orrin Hatch. This bill would establish a 75-percent-of-minimum wage for youth under 21. A similar bill, S. 1107, introduced by Senator Adlai Stevenson, would create an 85-percent-of-minimum wage for youth under 20.

Establishing a subminimum wage for youth might assist minority and low-income youth, but not necessarily those with the greatest employment handicaps. Current studies indicate that more

jobs would be available for minority and low-income youth if minimum wage laws were relaxed.[17] Employers are likely, though, to hire those with the least employability problems. Thus, a subminimum wage might not help young people with the most severe employment handicaps. Furthermore, if the demand for part-time employees were the most sensitive to changes in the minimum wage, a subminimum wage for youth would be more effective in establishing job opportunities for in-school than for out-of-school youth.

Estimates of the effects of minimum wages on youth employment vary, but many researchers believe that each 10 percent rise in the minimum wage relative to the average hourly wage reduces youth employment by something between 1 and 4 percent.[18] If the 1 percent estimate is valid, then lowering the minimum wage for all persons in 1981 from $3.35 to $2.85 an hour could increase employment among youth aged 16 to 19 by perhaps 60,000 jobs. Establishing a subminimum wage only for youth might bring about even greater job increases for them, although these increases might be offset somewhat by rising joblessness among older workers.

Establishing a subminimum wage for youth, unlike the other options considered in this section, might not impose any direct costs on the federal government, because most jobs created would be in private firms. A subminimum wage for youth could, however, impose some indirect costs both on individuals and on the federal government. It could, for example, displace some adults from their jobs.[19] Once unemployed, these workers would become eligible for unemployment insurance or other federal benefits.

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17. See, for example, James F. Ragan, "Minimum Wages and the Youth Labor Market," Review of Economics and Statistics, vol. 59, May 1977, pp. 129-136.

18. See Richard B. Freeman, "Why Is There a Youth Labor Market Problem?", National Bureau of Economic Research, Working Paper No. 365, June 1979, p. 20.

19. See Philip Cotterill, "Differential Legal Minimum Wages," paper prepared for American Enterprise Institute Conference on Legal Minimum Wages, Nov. 1-2, 1979, Washington, D.C. Unfortunately, no firm estimates of the displacement effects are available.

Additional Tax Subsidies for Youth. Another private sector option would be to provide additional tax subsidies to firms hiring economically disadvantaged youth. The TJTC (see Table 1 in Chapter II) already provides some such tax credits. Tax subsidies for youth employment could be expanded, however, by exempting firms employing low-income youth from Social Security tax liabilities for the first six months of employment, as a bill (S. 2219) introduced recently by Senator Jacob Javits would do. Other subsidies, and measures focusing on other groups, could also be devised.

The effectiveness of additional tax subsidies for youth employment is difficult to estimate. In the past, most tax credits have not been well designed to promote the hiring of youth in particular. The current TJTC avoids this problem by lowering the net costs to employers of hiring disadvantaged youth. Nevertheless, the program has been underway for only about a year, and it is too early to say whether this measure will have any significant effect on youth joblessness in the longer term, because the credits can in theory be used for persons a firm would have hired regardless of the credit.

The Javits bill could promote employment in the same way as the TJTC. This approach might be particularly useful in promoting jobs at small firms, which may be reluctant to participate in current tax credit programs because of administrative complexities. Exempting youth from Social Security taxes and coverage could, however, result in some displacement of for older employees in lower-paid occupations. It could also impose further strains on the already hard-pressed Social Security trust funds.

Detailed estimates of the number of youth who might qualify for a six-month Social Security exemption are not available. If half the estimated 3.25 million economically disadvantaged youth aged 18 to 24 who are likely to be employed during 1981 were to qualify, however, and their wages averaged $6,500 a year, such an exemption would diminish Social Security revenues by about $1.3 billion. A further drawback to this option might be vulnerability to abuse, such as firing young employees at the end of their tax-free period, unless safeguards were written in the law. The cost of additional tax subsidies would ultimately depend on the type of subsidy provided, the size of the eligible group, and the numbers of eligible youth actually hired.

CONCLUSION

This chapter examines three policy strategies: continuing present programs without change, stressing programs to develop skills to help disadvantaged youth obtain and hold jobs in the private sector, and emphasizing programs to provide immediate jobs and income. In the latter two cases, funding could be reallocated among existing programs, existing programs could be modified, or new programs could be initiated.

An argument in favor of continuing present programs without change is that most of the evaluation material from the experimental youth employment program (YEDPA) is incomplete. In addition, reauthorization of the vocational educational legislation will be considered during fiscal year 1981. Consequently, both improved information and better coordination with vocational education programs would be possible in future years. Other observers have concluded, however, that enough information is available from non-YEDPA sources to warrant modifying existing programs now. Increasing youth unemployment, heightened by the current recession, has also stimulated legislative interest in youth employment and education proposals.

To help disadvantaged youth obtain and hold jobs in the private sector, more than a reallocation of funds among existing programs appears necessary. At a minimum, existing employment and education programs would have to be modified--for example, to allow older youth to participate in current targeted programs and to direct additional remedial education funds toward secondary schools.

The two major proposals to improve the employability of disadvantaged youth are the Administration's Youth Initiative and the Youth Act of 1980 (H.R. 6711), as reported by the House Committee on Education and Labor. Both proposals would emphasize the training aspects of employment programs combined with remedial education for those youth who lack basic academic and personal skills, especially older, out-of-school youth. The Administration's Youth Initiative would provide current funding for the employment title and forward-funding for the education title, whereas H.R. 6711 would provide forward-funding for both, thereby reducing outlays in the first year of implementation. In addition, H.R. 6711 would dilute the concentration of funds (compared with the Administration's proposal) for compensatory education programs and for employment projects in areas with high proportions of unemployed persons and low-income youth.

Proposals to provide immediate jobs and income, rather than to improve skills, involve employment but not education programs. A reallocation of funds combined with modification of existing employment and education programs could improve targeting toward disadvantaged youth attending school, but it would still be difficult to serve older, out-of-school youth. To reach them, a new federally administered program to provide jobs or projects deemed of national interest might be effective. Finally, policies involving the private sector (such as tax subsidies or increasing the number of on-the-job training opportunities in private firms) have been suggested, but little is known about their likely effectiveness.

APPENDIXES

APPENDIX I. RECENT HISTORY OF EMPLOYMENT PROGRAMS

Before 1963, no federal employment programs served youth. In 1963, however, the Manpower Development and Training Act was amended to provide training for youth, and federal funds were first provided for summertime youth employment. Passage of the Economic Opportunity Act of 1964 established both the Job Corps and two work experience programs for youth under the heading of the Neighborhood Youth Corps--one each for in-school and out-of-school youth. The 1964 act also oriented federal youth employment programs toward serving the disadvantaged. The implementation of several experimental programs--Job Opportunities in the Business Sector, the Apprenticeship Outreach Program, and New Careers--in the last half of the 1960s also served to promote job opportunities for low-income minority youth.

During the early 1970s, changes in youth programs resulted more from general legislative changes than from specific legislation for young people. In 1971, the Public Employment Program--the first public service employment (PSE) program since the Depression of the 1930s--was created; thereafter, PSE grew to become a major component both of federal activities serving youth and of federal employment policy in general. Another important change occurred in 1973, when passage of CETA abolished a number of categorical federal employment programs and replaced them with federal funds for locally run programs offering employment and training services primarily to the disadvantaged.

In 1977, however, the Congress established four new employment programs specifically for youth: the federally administered YACC, and the three locally run programs in Title IV-A of CETA--YETP, YCCIP, and YIEPP. Each of the Title IV-A programs was designed to test certain strategies for assisting youth with serious employment problems. The YCCIP, for example, was designed to gauge the effects of "pure" work experience programs. The YIEPP was designed to test the effects of pairing a guarantee of employment with the requirement that youth remain in or return to school for their high school diplomas. In 1978, the roster of federal efforts to promote youth employment was further expanded by the passage of the Targeted Jobs Tax Credit. This measure provides special tax subsidies to firms hiring economically disadvantaged youth and several other groups of persons.

APPENDIX II. FEDERAL EMPLOYMENT PROGRAMS, ELIGIBILITY CRITERIA AND POPULATION CHARACTERISTICS OF PARTICIPANTS: FISCAL YEAR 1979

Program	Eligible Persons	Percent of Participants				
		Under 22	Nonwhite	Economically Disadvantaged[a]	High School Dropouts	High School Students
Comprehensive Education and Training Act (CETA)						
Title II-B, C	II-B--Persons who are economically disadvantaged and either unemployed, underemployed, or in school II-C--Persons with notice of layoff and little chance of reemployment in same labor market II-C--Persons operating at less than full skill potential with lack of advancement prospects in normal promotional line without further training	47.9	49.4	90.0	29.0	18.5
Title II-D	Recipients of income assistance (AFDC or SSI) and economically disadvantaged persons who are unemployed 15 weeks or longer	23.0	45.0	85.5	26.2	1.8

(Continued)

APPENDIX TABLE 2 (Continued).

Program	Eligible Persons	Percent of Participants				
		Under 22	Nonwhite	Economically Disadvantaged[a]	High School Dropouts	High School Students
(CETA--Continued)						
Title III						
National Programs	Various special groups depending on program	13.1	30.3	59.4	19.6	0.6
Migrant Programs	Migrant and seasonal farmworkers	38.1	86.0	99.7	57.1	24.8
Native American Programs	Native Americans	39.7	100.0	90.2	35.3	10.5
Title IV						
Youth Incentive Entitlement Pilot Projects (YIEPP)	Youth aged 16 to 19 with incomes below the OMB poverty line living in selected areas who remain in or return to high school	100.0	80.5	100.0	18.0	100.0
Youth Community Conservation and Improvement Projects (YCCIP)	Unemployed youth aged 16-19	99.9	55.4	86.8	61.1	20.7

(Continued)

APPENDIX TABLE 2 (Continued).

Program	Eligible Persons	Percent of Participants				
		Under 22	Nonwhite	Economically-Disadvantaged[a]	High School Dropouts	High School Students
(CETA--Continued)						
Youth Employment and Training Projects (YETP)	Youth aged 14-21 with family incomes not above 85 percent of the BLS lower living standard who are unemployed, underemployed, or in school[b]	99.8	53.4	79.1	21.2	65.3
Summer Youth Employment Program (SYEP)	Economically disadvantaged youth aged 14 to 21 who are unemployed, underemployed, or in school	99.9[c]	69.4	98.6	5.0	83.8
Job Corps	Economically disadvantaged youth aged 14 to 21 who are unemployed, underemployed, or in school and whose living environment impairs chances of success in other employment programs	100.0	70.0	100.0	85.0	0.0
Title VI	Persons receiving or eligible to receive cash assistance, and unemployed persons with family incomes below the BLS lower living standard who have been unemployed 10 or more of the last 12 weeks	22.0	45.7	85.5	27.0	1.6

(Continued)

APPENDIX TABLE 2 (Continued).

Program	Eligible Persons	Percent of Participants				
		Under 22	Nonwhite	Economically-Disadvantaged[a]	High School Dropouts	High School Students
(CETA--Continued)						
Title VIII						
Young Adult Conservation Corps (YACC)	Unemployed persons aged 16-23 who are not enrolled in high school	86.5	25.8	33.5	35.4	0
Non-CETA						
Youth Conservation Corps (YCC)	Youth aged 15-18	100.0	24.1	30.0[d]	N/A	N/A
Work Incentive Program (WIN)[e]	AFDC recipients	13.8	55.1	100.0	57.6	N/A

SOUCE: U.S. Departments of Labor and Interior.

NOTE: N/A signifies data not available.

a. Economically disadvantaged persons include: those in families receiving or eligible to receive federal cash assistance; those with family incomes not exceeding the higher of either the OMB poverty line or 70 percent of the BLS lower living standard; foster children on whose behalf state or local government payments are made; and certain handicapped persons.

b. Enrollees aged 14 and 15 must be in school. Ten percent of program funds may serve youth at all income levels.

c. 55.2 percent are 16 to 19; 39.9 percent are 14 to 15.

d. Percent with family incomes below $10,000.

e. Figures are for total registrants, many of whom receive no services.

f. 18 percent of YIEPP students had dropped out but have returned to school.